



Department of Homeland Security

OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO THE CONGRESS

October 1, 2010 through March 31, 2011

Detecting Fraud, Waste and Abuse



Statistical Highlights of OIG Activities

October 1, 2010 through March 31, 2011

Dollar Impact

Questioned Costs	\$107,558,867
Funds Put to Better Use	\$17,434,529
Management Agreement That Funds Be:	
Recovered	\$385,309
Deobligated	\$6,272,999
Funds Recovered (from audits and investigations)	\$15,302,903
Fines, Restitutions, and Administrative Cost Savings	\$8,068,728

Activities

Management Reports Issued	67
Financial Assistance Grant Audit Reports	30
Investigative Reports Issued	472
Investigations Initiated	638
Investigations Closed	520
Open Investigations	2,175
Investigations Referred for Prosecution	309
Investigations Accepted for Prosecution	179
Investigations Declined for Prosecution	68
Arrests	248
Indictments	173
Convictions	222
Personnel Actions	94
Complaints Received (other than Hotline)	7,099
Hotline Complaints Received	3,842
Complaints Referred (to programs or other agencies)	4,863
Complaints Closed	6,169

Office of Inspector General

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

April 29, 2011

The Honorable Janet Napolitano
Secretary
U.S. Department of Homeland Security
Washington, DC 20528

Dear Madam Secretary:

I am pleased to present our semiannual report, which summarizes the activities and accomplishments of the Department of Homeland Security (DHS) Office of Inspector General for the 6-month period ended March 31, 2011.

During this reporting period, our office published 67 management reports and 30 financial assistance grant reports. DHS management concurred with 94% of recommendations contained in our management reports. As a result of these efforts, \$107.6 million of questioned costs were identified, of which \$21.9 million were determined to be unsupported. We recovered \$15.3 million as a result of disallowed costs identified from previous audit reports and from investigative efforts. We issued 13 reports identifying \$17.4 million in funds put to better use. In addition, management agreed to deobligate \$6.3 million in disaster grant assistance, which will result in funds put to better use.

In the investigative area, we issued 472 investigative reports, initiated 638 investigations, and closed 520 investigations. Our investigations resulted in 248 arrests, 173 indictments, 222 convictions, and 94 personnel actions. Additionally, we reported \$8.1 million in collections resulting from fines and restitutions, administrative cost savings, and other recoveries.

I would like to take this opportunity to thank you for the interest and support that you have provided to our office. We look forward to working closely with you, your leadership team, and Congress to promote economy, efficiency, and effectiveness in DHS programs and operations, and to help the department accomplish its critical mission and initiatives in the months ahead.

Sincerely,

A handwritten signature in black ink, reading "Charles K. Edwards".

Charles K. Edwards
Acting Inspector General

Table of Contents

STATISTICAL HIGHLIGHTS OF OFFICE OF INSPECTOR GENERAL ACTIVITIES	INSIDE COVER
ACTING INSPECTOR GENERAL'S MESSAGE	1
WORKING RELATIONSHIP PRINCIPLES FOR	
AGENCIES AND OFFICES OF INSPECTOR GENERAL	4
EXECUTIVE SUMMARY	5
DEPARTMENT OF HOMELAND SECURITY PROFILE	6
OFFICE OF INSPECTOR GENERAL PROFILE	7
SUMMARY OF SIGNIFICANT OFFICE OF INSPECTOR GENERAL ACTIVITY	10
Directorate for Management	11
Directorate for National Protection and Programs	15
Directorate for Science and Technology	16
Federal Emergency Management Agency	17
Federal Law Enforcement Training Center	33
Office for Civil Rights and Civil Liberties	34
Privacy Office	34
Transportation Security Administration	34
United States Citizenship and Immigration Services	36
United States Coast Guard	38
United States Customs and Border Protection	40
United States Immigration and Customs Enforcement	47
United States Secret Service	51
Multiple Components	52
OTHER OFFICE OF INSPECTOR GENERAL ACTIVITIES	54
LEGISLATIVE AND REGULATORY REVIEWS	56
CONGRESSIONAL HEARINGS AND BRIEFINGS	58
APPENDIXES	60
Appendix 1 Audit Reports With Questioned Costs	61
Appendix 1b Audit Reports With Funds Put to Better Use	62
Appendix 2 Compliance—Resolution of Reports and Recommendations	63
Appendix 3 Management Reports Issued	64
Appendix 4 Financial Assistance Audit Reports Issued	72
Appendix 5 Schedule of Amounts Due and Recovered	75
Appendix 6 Contract Audit Reports	76
Appendix 7 OIG Peer Review Results	77
Appendix 8 Acronyms	78
Appendix 9 OIG Headquarters Field Office Contacts and Locations	80
Appendix 10 Index to Reporting Requirements	83

Working Relationship Principles for Agencies and Offices of Inspector General

The *Inspector General Act* establishes for most agencies an Office of Inspector General (OIG) and sets out its mission, responsibilities, and authority. The Inspector General is under the general supervision of the agency head. The unique nature of the Inspector General function can present a number of challenges for establishing and maintaining effective working relationships. The following working relationship principles provide some guidance for agencies and OIGs.

To work together most effectively, the agency and its OIG need to clearly define what the two consider to be a productive relationship and then consciously manage toward that goal in an atmosphere of mutual respect.

By providing objective information to promote government management, decision making, and accountability, the OIG contributes to the agency's success. The OIG is an agent of positive change, focusing on eliminating waste, fraud, and abuse and on identifying problems and recommendations for corrective actions by agency leadership. The OIG provides the agency and Congress with objective assessments of opportunities to be more successful. The OIG, although not under the direct supervision of senior agency management, must keep them and Congress fully and currently informed of significant OIG activities. Given the complexity of management and policy issues, the OIG and the agency may sometimes disagree on the extent of a problem and the need for and scope of corrective action. However, such disagreements should not cause the relationship between the OIG and the agency to become unproductive.

To work together most effectively, the OIG and the agency should strive to—

Foster open communications at all levels.

The agency will promptly respond to OIG requests for information to facilitate OIG activities and acknowledge challenges that the OIG can help address. Surprises are to be avoided. With very limited exceptions, primarily related to investigations, the OIG should keep the agency advised of its work and its findings on a timely basis, and strive

to provide information helpful to the agency at the earliest possible stage.

Interact with professionalism and mutual respect. Each party should always act in good faith and presume the same from the other. Both parties share, as a common goal, the successful accomplishment of the agency's mission.

Recognize and respect the mission and priorities of the agency and the OIG. The agency should recognize the OIG's independent role in carrying out its mission within the agency, while recognizing the responsibility of the OIG to report both to Congress and to the agency head. The OIG should work to carry out its functions with a minimum of disruption to the primary work of the agency. The agency should allow the OIG timely access to agency records and other materials.

Be thorough, objective, and fair. The OIG must perform its work thoroughly, objectively, and with consideration to the agency's point of view. When responding, the agency will objectively consider differing opinions and means of improving operations. Both sides will recognize successes in addressing management challenges.

Be engaged. The OIG and agency management will work cooperatively in identifying the most important areas for OIG work, as well as the best means of addressing the results of that work, while maintaining the OIG's statutory independence of operation. In addition, agencies need to recognize that the OIG will need to carry out work that is self-initiated, congressionally requested, or mandated by law.

Be knowledgeable. The OIG will continually strive to keep abreast of agency programs and operations, and will keep agency management informed of OIG activities and concerns being raised in the course of OIG work. Agencies will help ensure that the OIG is kept up to date on current matters and events.

Provide feedback. The agency and the OIG will implement mechanisms, both formal and informal, to ensure prompt and regular feedback.

Executive Summary

This Semiannual Report to the Congress is issued pursuant to the provisions of Section 5 of the *Inspector General Act of 1978*, as amended, and covers the period from October 1, 2010, to March 31, 2011. The report is organized to reflect our organization and that of the Department of Homeland Security.

During this reporting period, we completed significant audit, inspection, and investigative work to promote the economy, efficiency, effectiveness, and integrity of the department's programs and operations. Specifically, we issued 67 management reports (Appendix 3), 30 financial assistance grant reports (Appendix 4), and 472 investigative reports. Our reports provide the department Secretary and Congress with an objective assessment of the issues, and at the same time provide specific recommendations to correct deficiencies and improve the economy, efficiency, and effectiveness of the respective program.

Also, our audits resulted in questioned costs of \$107,558,867, of which \$21,929,543 was not supported by documentation. We recovered \$15,302,903 (Appendix 5) as a result of disallowed costs identified from current and previous audit reports and from investigative efforts. We issued

13 reports identifying \$17,434,529 in funds put to better use. In addition, management agreed to deobligate \$6,272,999 in disaster grant assistance, which will result in funds put to better use. In the investigative area, we initiated 638 investigations and closed 520 investigations. Our investigations resulted in 248 arrests, 173 indictments, 222 convictions, and 94 personnel actions. Additionally, we reported \$8,068,728 million in collections resulting from fines and restitutions, administrative cost savings, and other recoveries.

We have a dual reporting responsibility to Congress and to the department Secretary. During the reporting period, we continued our active engagement with Congress through extensive hearings, briefings, and dialogues. Members of Congress, their staffs, and the department's authorizing and appropriations committees and subcommittees met on a range of issues relating to our work and that of the department. We also testified before Congress on two occasions during this reporting period. Testimony prepared for these hearings may be accessed through our website at www.dhs.gov/oig. We also provide a link to our full report immediately following each summary.

Department of Homeland Security Profile

On November 25, 2002, President Bush signed the *Homeland Security Act of 2002* (P.L. 107-296, as amended), officially establishing the Department of Homeland Security (DHS), with the primary mission of protecting the American homeland. DHS became operational on January 24, 2003. Formulation of DHS took a major step forward on March 1, 2003, when, according to the President's reorganization plan, 22 agencies and approximately 181,000 employees were transferred to the new department.

DHS' first priority is to protect the United States against further terrorist attacks. Component agencies analyze threats and intelligence, guard U.S. borders and airports, protect America's critical infrastructure, and coordinate U.S. preparedness for and response to national emergencies.

DHS is organized into the following components and offices:

- Directorate for Management
- Directorate for National Protection and Programs
- Directorate for Science and Technology
- Domestic Nuclear Detection Office
- Federal Emergency Management Agency
- Federal Law Enforcement Training Center
- Office of Civil Rights and Civil Liberties
- Office of Counternarcotics Enforcement
- Office of General Counsel
- Office of Health Affairs
- Office of Inspector General
- Office of Intelligence and Analysis
- Office of Operations Coordination and Planning
- Office of Policy
- Privacy Office
- Transportation Security Administration
- United States Citizenship and Immigration Services
- United States Coast Guard
- United States Customs and Border Protection
- United States Immigration and Customs Enforcement
- United States Secret Service

Office of Inspector General Profile

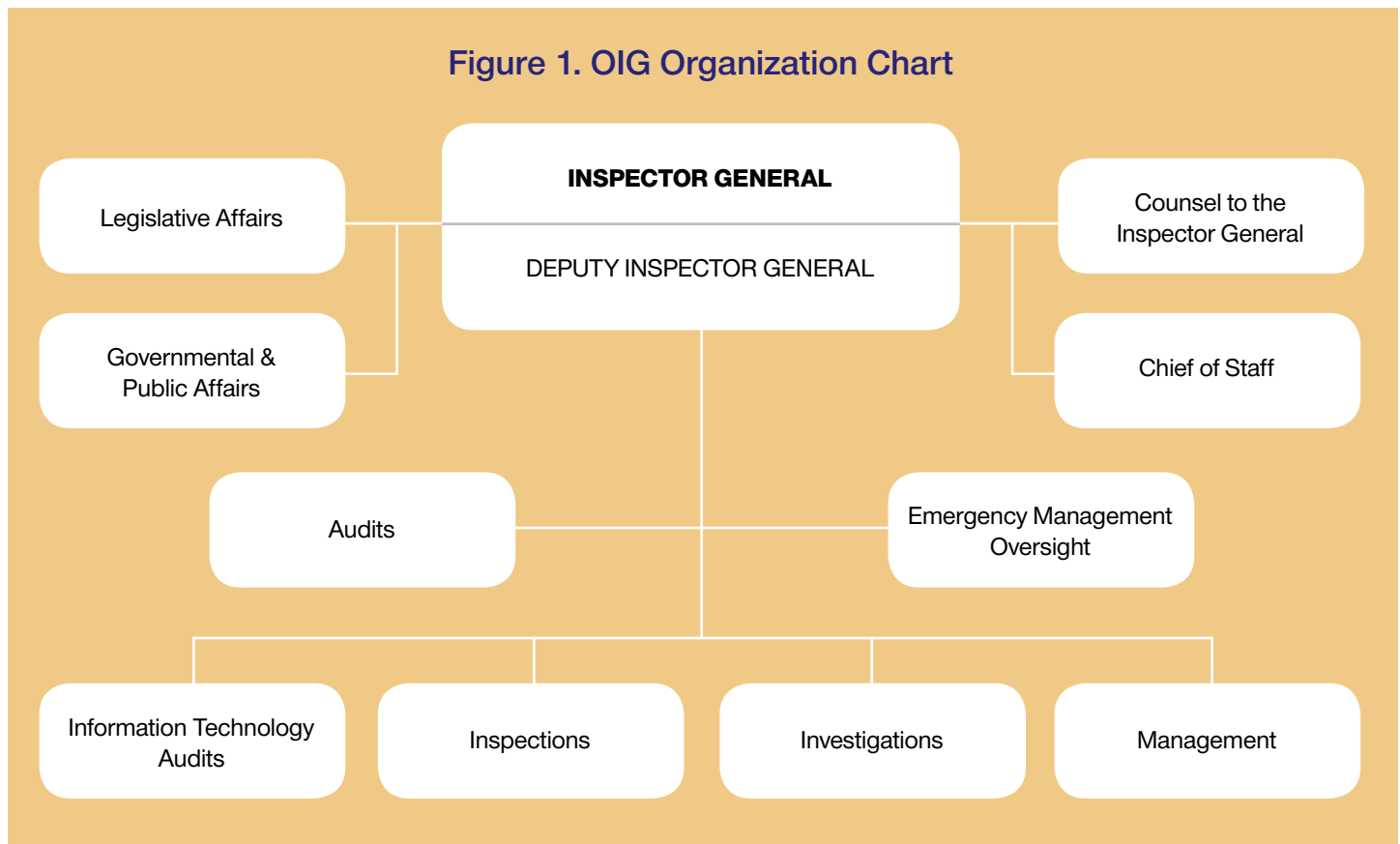
The *Homeland Security Act of 2002* provided for the establishment of an Office of Inspector General (OIG) in DHS by amendment to the *Inspector General Act of 1978* (5 USC App. 3, as amended). By this action, Congress and the administration ensured independent and objective audits, inspections, and investigations of the operations of the department.

The Inspector General is appointed by the President, subject to confirmation by the Senate, and reports directly to the Secretary of DHS and to Congress. The *Inspector General Act* ensures

the Inspector General's independence. This independence enhances our ability to prevent and detect fraud, waste, and abuse, as well as to provide objective and credible reports to the Secretary and Congress regarding the economy, efficiency, and effectiveness of DHS' programs and operations.

We were authorized 665 full-time employees during the reporting period. We consist of an Executive Office and nine functional components based in Washington, DC. We also have field offices throughout the country. Figure 1 illustrates the DHS OIG management team.

Figure 1. OIG Organization Chart





The OIG consists of the following components:

The Executive Office consists of the Inspector General, the Deputy Inspector General, a Chief of Staff, and support staff. It provides executive leadership to the OIG.

The Office of Legislative Affairs is the primary liaison to members of Congress and their staffs. Specifically, the office's staff responds to inquiries from Congress; notifies Congress about OIG initiatives, policies, and programs; coordinates preparation of testimony and talking points for Congress; and coordinates distribution of reports and correspondence to Congress. Office staff track congressional requests, which are either submitted by a member of Congress or mandated through legislation. The office also provides advice to the Inspector General and supports OIG staff as they address questions and requests from Congress.

The Office of Governmental and Public Affairs provides advice to the Inspector General and other management officials on complex programmatic, policy, and public affairs issues that affect the OIG and its relationship with DHS, the media, and other federal agencies. In addition, the office creates strategic communications plans based on the OIG's goals and policy initiatives; coordinates and analyzes information to support the OIG's high-level policy development, strategic planning, and mass communications expertise; represents the OIG on various interagency issue and policy working groups; and manages the dissemination of information to the media, the general public, and governmental entities.

The Office of Counsel to the Inspector General

provides legal advice to the Inspector General and other management officials; supports audits, inspections, and investigations by ensuring that applicable laws and regulations are followed; serves as the OIG's designated ethics office; manages the OIG's *Freedom of Information Act* and *Privacy Act* responsibilities; furnishes attorney services for the issuance and enforcement of OIG subpoenas; and provides legal advice on OIG operations.

The Office of Audits (OA) conducts and coordinates audits and program evaluations of the management and financial operations of DHS. Auditors examine the methods that agencies, bureaus, grantees, and contractors employ in carrying out essential programs or activities. Audits evaluate whether established goals and objectives are achieved, resources are used economically and efficiently, and intended and realized results are consistent with laws, regulations, and good business practice; and determine whether financial accountability is achieved and the financial statements are not materially misstated.

The Office of Emergency Management Oversight (EMO)

is responsible for providing an aggressive and ongoing audit effort designed to ensure that Disaster Relief Funds are being spent appropriately, while identifying fraud, waste, and abuse as early as possible. The office is an independent and objective means of keeping the Secretary of DHS, Congress, and other federal disaster relief agencies fully informed on problems and deficiencies relating to disaster operations and assistance programs, and progress regarding corrective

actions. The OIG's focus is weighted heavily toward prevention, including reviewing internal controls, and monitoring and advising DHS and Federal Emergency Management Agency (FEMA) officials on contracts, grants, and purchase transactions before they are approved. This approach allows EMO to stay current on all disaster relief operations and provide on-the-spot advice on internal controls and precedent-setting decisions.

The Office of Information Technology Audits (IT-A) conducts audits and evaluations of DHS' information management, cyber infrastructure, and systems integration activities. The office reviews the cost-effectiveness of acquisitions, implementation, and management of major systems and telecommunications networks across DHS. In addition, it evaluates the systems and related architectures of DHS to ensure that they are effective, efficient, and implemented according to applicable policies, standards, and procedures. The office also assesses DHS' information security program as mandated by the *Federal Information Security Management Act*. In addition, this office provides technical forensics assistance to OIG offices in support of OIG's fraud prevention and detection program.

The Office of Inspections (ISP) provides the Inspector General with a means to analyze programs quickly and to evaluate operational efficiency, effectiveness, and vulnerability. This work includes special reviews of sensitive issues that arise suddenly and congressional requests for studies that require immediate attention.

Inspections may examine any area of the department. In addition, it is the lead OIG office for reporting on DHS intelligence, international affairs, civil rights and civil liberties, and science and technology. Inspectors use a variety of study methods and evaluation techniques to develop recommendations for DHS. Inspection reports are released to DHS, Congress, and the public.

The Office of Investigations investigates allegations of criminal, civil, and administrative misconduct involving DHS employees, contractors, grantees, and programs. These investigations can result in criminal prosecutions, fines, civil monetary penalties, administrative sanctions, and personnel actions. Additionally, the Office of Investigations provides oversight and monitors the investigative activity of DHS' various internal affairs offices. The office includes investigative staff working on Gulf Coast hurricane recovery operations.

The Office of Management provides critical administrative support functions, including OIG strategic planning; development and implementation of administrative directives; the OIG's information and office automation systems; budget formulation and execution; correspondence; printing and distribution of OIG reports; and oversight of the personnel, procurement, travel, and accounting services provided to the OIG on a reimbursable basis by the Bureau of Public Debt. The office also prepares the OIG's annual performance plan and semiannual reports to Congress.

SUMMARY OF SIGNIFICANT OIG ACTIVITY



DIRECTORATE FOR MANAGEMENT

MANAGEMENT REPORTS

Evaluation of DHS' Information Security Program for Fiscal Year 2010

While DHS continues to improve and strengthen its security program, components are still not executing all of the department's policies, procedures, and practices. For example, components have not maintained their information security programs at the department's targeted performance level. In addition, systems are being accredited though key information is missing, plans of action and milestones are not being created for all known information security weaknesses, and DHS baseline security configurations are not being implemented for all systems. We recommended that components' execution of DHS' policies, procedures, and practices be improved in order to ensure that all information security weaknesses are tracked and remediated, and to enhance the quality of system certification and accreditation. Additional information security program areas that need improvement include configuration management, incident detection and analysis, specialized training, remote access, account and identity management, continuous monitoring, and contingency planning. The department concurred with all seven recommendations.

(OIG-11-01, October 2010, IT-A)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-01_Oct10.pdf

Independent Auditors' Report on DHS' FY 2010 Financial Statements and Internal Control over Financial Reporting

KPMG LLP, under a contract with DHS OIG, conducted an audit of DHS' balance sheets as of September 30, 2010, and 2009 and the related statements of custodial activity for the years then ended. KPMG also conducted an examination of internal control over financial reporting of the balance sheet as of September 30, 2010, and statement of custodial activity for fiscal year (FY) 2010. KPMG was unable to express an

opinion on the financial statements because DHS was unable to represent that certain financial statement balances were correct and unable to provide sufficient evidence to support its financial statements. Additionally, KPMG was unable to perform procedures necessary to form an opinion on DHS' internal control over financial reporting for FY 2010.

The FY 2010 independent auditors' report discusses eight significant deficiencies in internal control, of which six are considered material weaknesses, and six are instances of noncompliance with laws and regulations, as follows:

Significant Deficiencies That Are Considered To Be Material Weaknesses

- A. Financial Management and Reporting
- B. Information Technology Controls and System Functionality
- C. Fund Balance with Treasury
- D. Property, Plant, and Equipment
- E. Actuarial and Other Liabilities
- F. Budgetary Accounting

Other Significant Deficiencies

- G. Entity-Level Controls
- H. Custodial Revenue and Drawback

Noncompliance with Laws and Regulations

- I. *Federal Managers' Financial Integrity Act of 1982 (FMFIA)*, and laws and regulations supporting Office of Management and Budget (OMB) Circular No. A-50, *Audit Follow-up*, as revised
- J. *Federal Financial Management Improvement Act of 1996 (FFMIA)*
- K. *Single Audit Act Amendments of 1996*, and laws and regulations supporting OMB Circular No. A-50, *Audit Follow-up*, as revised
- L. *Chief Financial Officers Act of 1990*
- M. *Anti-deficiency Act*
- N. *Government Performance and Results Act of 1993*

(OIG-11-09, November 2010, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-09_Nov10.pdf

Major Management Challenges Facing the Department of Homeland Security

As required by the *Reports Consolidation Act of 2000* (Public Law 106-531), we update our assessment of DHS' major management challenges annually. In FY 2010, we identified the following major management challenges, which tend to remain the same from year to year: acquisition management, information technology management, emergency management, grants management, financial management, infrastructure protection, border security, transportation security, and trade operations and security. We developed scorecards to distinguish the department's progress in FY 2010 in five selected areas. The department made moderate progress by achieving critical success factors in three of the five areas: acquisition management, information technology, and emergency management. The other two areas, grants management and financial management, showed only modest progress; that is, improvements had been made, but many critical success factors had not been achieved. The department continues to move beyond operating as an organization in transition to a department diligently working to protect our borders and critical infrastructure, preventing dangerous people and goods from entering our country, and recovering from natural disasters effectively. However, while much progress has been made, the department still has much to do to establish a cohesive, efficient, and effective organization. (OIG-11-11, November 2010, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-11_Nov10.pdf

Review of the Quality of Data Submitted by Department of Homeland Security Recipients of American Recovery and Reinvestment Act of 2009 Funds

We participated with other Offices of Inspectors General in a Recovery Accountability and Transparency Board (Board) review of recipient reporting under Section 1512 of the *American Recovery and Reinvestment Act of 2009*. Our separate report on the 17 DHS recipients reviewed determined that they used processes that provided reasonable assurance of compliance with applicable

requirements for three elements: grant funds received or contractor funds invoiced, project status, and final report submission. However, the processes for reporting jobs and federal expenditures were not in full compliance with federal guidance. Nevertheless, we believe that the majority of the recipient processes resulted in reported job estimates that reflected the actual job impact of the *Recovery Act* funds expended. The consolidated report to the Board contained recommendations to federal officials for clarifying recipient reporting guidance; therefore this report made no additional recommendations to DHS management.

(OIG-11-15, November 2010, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-15_Nov10.pdf

Independent Review of the U.S. Coast Guard's Reporting of FY 2010 Drug Control Obligations
KPMG LLP, under contract with DHS OIG, was unable to issue an Independent Accountants' Report on the FY 2010 Drug Control Obligations for the U.S. Coast Guard (USCG). USCG's management prepared the Table of Drug Control Obligations and related disclosures to comply with the requirements of the Office of National Drug Control Policy Circular (ONDCP) *Drug Control Accounting*, dated May 1, 2007. However, because USCG could not provide assurance over the financial data in the detailed accounting submissions, KPMG LLP could not provide the level of assurance required of a review.

(OIG-11-34, January 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-34_Jan11.pdf

Independent Review of the U.S. Coast Guard's Reporting of the FY 2010 Drug Control Performance Summary Report

KPMG LLP, under contract with DHS OIG, issued an Independent Accountants' Report on the FY 2010 Drug Control Performance Summary Report for the USCG. USCG's management prepared the Performance Summary Report and management's assertions to comply with the requirements of the ONDCP *Drug Control Accounting*, dated May 1, 2007. KPMG did not

find any reason to believe that the Performance Summary Report for the year ended September 30, 2010, was not presented, in all material respects, in conformity with ONDCP's Circular, or that management's assertions were not fairly stated, in all material respects, based on the criteria set forth in the ONDCP Circular. KPMG LLP did not issue any recommendations as a result of this review.

(OIG-11-35, January 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-35_Jan11.pdf

Independent Review of the U.S. Customs and Border Protection's Reporting of FY 2010 Drug Control Performance Summary Report

KPMG LLP, under contract with DHS OIG, issued an Independent Accountants' Report on the FY 2010 Drug Control Performance Summary Report for U.S. Customs and Border Protection (CBP). CBP's management prepared the Performance Summary Report to comply with the requirements of the ONDCP Circular *Drug Control Accounting*, dated May 1, 2007. KPMG LLP did not find any reason to believe that the Performance Summary Report of the year ended September 30, 2010, was not presented, in all material respects, in conformity with ONDCP's Circular, or that management's assertions were not fairly stated, in all material respects, based on the criteria set forth in the Circular. However, management was unable to assert that CBP has established at least one acceptable performance measure for each Drug Control Decision Unit identified in reports, as required by section 6(a)(1)(A) of the ONDCP Circular. KPMG LLP did not issue any recommendations as a result of this review.

(OIG-11-36, January 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-36_Jan11.pdf

Independent Review of the U.S. Customs and Border Protection's Reporting of FY 2010 Drug Control Obligations

KPMG LLP, under contract with DHS OIG, issued an Independent Accountants' Report on the Table of FY 2010 Drug Control Obligations for CBP. CBP's management prepared the Table

of FY 2010 Drug Control Obligations Report and related disclosures to comply with the requirements of the ONDCP Circular *Drug Control Accounting*, dated May 1, 2007. Based on the review, nothing came to KPMG's attention that caused them to believe that the Table of FY 2010 Drug Control Obligations and related disclosures for the year ended September 30, 2010, are not presented, in all material respects, in conformity with ONDCP's Circular, or that management's assertions are not fairly stated, in all material respects, based on the criteria set forth in the Circular. However, in the accompanying management's assertion for the year ended September 30, 2010, management asserted that CBP did not obtain ONDCP's approval of reprogrammings or transfers affecting drug-related resources in excess of \$1 million, as required by the ONDCP Circular. KPMG LLP did not issue any recommendations as a result of this review.

(OIG-11-37, January 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-37_Jan11.pdf

Independent Review of the U.S. Immigration and Customs Enforcement's Reporting of FY 2010 Drug Control Obligations

KPMG LLP, under contract with DHS OIG, issued an Independent Accountants' Report on the FY 2010 Drug Control Obligations for U.S. Immigration and Customs Enforcement (ICE). ICE's management prepared the Table of Prior Year Drug Control Obligations and related disclosures to comply with the requirements of the ONDCP Circular *Drug Control Accounting*, dated May 1, 2007. KPMG did not find any reason to believe that the Table of Prior Year Drug Control Obligations and related disclosures for the year ended September 30, 2010, were not presented in all material respects, in conformity with ONDCP's Circular, or that management's assertions were not fairly stated, in all material respects, based on the same criteria. KPMG LLP did not issue any recommendations as a result of this review.

(OIG-11-38, January 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-38_Jan11.pdf

Independent Review of the U.S. Immigration and Customs Enforcement's Reporting of FY 2010 Drug Control Performance Summary Report

KPMG LLP, under contract with DHS OIG, issued an Independent Accountants' Report on the FY 2010 Drug Control Performance Summary Report for ICE. ICE's management prepared the Performance Summary Report and Management's Assertions to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007. Based on the review, nothing came to KPMG's attention that caused them to believe that the Performance Summary Report for the year ended September 30, 2010, is not presented, in all material respects, in conformity with the ONDCP's Circular, or that management's assertions are not fairly stated, in all material respects, based on the criteria set forth in the ONDCP Circular. KPMG did not issue any recommendations as a result of this review. (OIG-11-39, January 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-39_Jan11.pdf

DHS Contracts Awarded Through Other Than Full and Open Competition During Fiscal Year 2010

In FY 2010, the department obligated \$1.3 billion for noncompetitive contracts. We reviewed 40 of the department's FY 2010 noncompetitive contracts for compliance with applicable laws and regulations as required by Senate Bill S. 3607, Report No. 111-222, July 19, 2010. The department generally improved acquisition management oversight, but acquisition personnel did not always follow federal regulations when awarding noncompetitive contracts. Our review showed that the department continues to have some problems with insufficient evidence of justifications and approvals, market research, acquisition planning, and consideration of contractor past performance prior to contract award. We made one recommendation that the department's Chief Procurement Officer continue efforts to improve acquisition management oversight. (OIG-11-41, February 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-41_Feb11.pdf

Management Letter for the FY 2010 DHS Financial Statements and Internal Control Over Financial Reporting Audit

KPMG LLP, under contract with DHS OIG, conducted an audit of the department's FY 2010 consolidated financial statements and an examination of internal control over financial reporting. KPMG was unable to express an opinion on the financial statements or to perform procedures necessary to form an opinion on DHS' internal control over financial reporting for FY 2010. KPMG noted certain matters involving internal control and other operational matters that resulted in 89 Financial Management Comments and 184 recommendations. These comments and recommendations, all of which were discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies. These comments are in addition to the significant deficiencies presented in our *Independent Auditors' Report*, dated November 12, 2010, included in the FY 2010 DHS *Annual Financial Report*. (OIG-11-45, February 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-45_Feb11.pdf

Management Directorate's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit

KPMG LLP, under contract with DHS OIG, reviewed the Management Directorate's internal controls over financial reporting. The management letter discusses an observation regarding inadequate internal controls over property, plant, and equipment identified during the FY 2010 financial statements audit. This observation, which was discussed with the appropriate members of management, is intended to improve internal control or result in other operating efficiencies. This issue was determined to be below the level of a significant deficiency and was not required to be reported in the *Independent Auditors' Report*, dated November 12, 2010, included in the FY 2010 DHS *Annual Financial Report*. (OIG-11-51, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-51_Mar11.pdf

Office of Financial Management’s Management Letter for FY 2010 DHS Consolidated Financial Statements Audit

KPMG LLP, under contract with DHS OIG, reviewed Office of Financial Management’s internal controls over financial reporting. The management letter discusses four observations related to internal controls for management’s consideration identified during the FY 2010 financial statement audit. These observations, which were discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies. These issues did not meet the criteria to be reported in the *Independent Auditors’ Report*, dated November 12, 2010, included in the FY 2010 DHS *Annual Financial Report*.

(OIG-11-53, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-53_Mar11.pdf

Independent Auditors’ Report on U.S. Customs and Border Protection’s FY 2010 Financial Statements

KPMG LLP, under contract with DHS OIG, audited the consolidated financial statements of CBP as of and for the years ending September 30, 2010, and 2009. KPMG LLP concluded that CBP’s consolidated financial statements for those fiscal years are presented fairly, in all material respects, in conformity with the U.S. generally accepted accounting principles.

However, KPMG LLP identified six significant deficiencies in internal control over financial reporting:

- Drawback of Duties, Taxes, and Fees
- Financial Reporting
- Property, Plant, and Equipment
- Inactive Obligations
- Entry Process
- Information Technology

KPMG LLP considers the first significant deficiency above to be a material weakness. The results of KPMG LLP’s tests of compliance with certain provisions of laws, regulations, and contracts disclosed no instance of noncompliance

or other matters that are required to be reported. (OIG-11-61, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-61_Mar11.pdf

National Flood Insurance Program’s Management Letter for FY 2010 DHS Consolidated Financial Statements Audit

KPMG LLP, under contract with DHS OIG, reviewed the National Flood Insurance Program’s internal control over financial reporting. The management letter discusses five observations for management’s consideration identified during the FY 2010 Department of Homeland Security Consolidated Financial Statement audit. These observations, which were discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies. These issues did not meet the criteria to be reported in the *Independent Auditors Report*, dated November 12, 2010, included in the FY 2010 DHS *Annual Financial Report*.

(OIG-11-66, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-66_Apr11.pdf

DIRECTORATE FOR NATIONAL PROTECTION AND PROGRAMS

MANAGEMENT REPORTS

Protective Security Advisor Program Efforts to Build Effective Critical Infrastructure

Partnerships: Oil and Natural Gas Subsector

Protective Security Advisors (PSAs) are DHS infrastructure security experts who work with state and local governments, as well as private industry, to help strengthen the nation’s critical infrastructure and key resources (CIKR) protection capabilities. As private industry owns and operates the majority of the nation’s CIKR, the department emphasizes developing and sustaining public and private sector partnerships to secure and protect critical infrastructure. We evaluated (1) whether PSAs are aligned to support the National Protection and Programs Directorate’s mission

and DHS' overall critical infrastructure protection strategy; (2) the metrics the PSA Program uses to assess its performance and whether adequate guidance and resources have been provided to support the program's success and growth; and (3) how and to what extent PSAs coordinate with and assist oil and natural gas stakeholders throughout the CIKR protection process to help strengthen capabilities, identify vulnerabilities, and reduce risks.

Public and private stakeholders confirm that the PSA Program is an effective resource. While extensive stakeholder relationships and partnerships are developing at the state and local levels, increased efforts are necessary to incorporate national-level partners and stakeholders into strategic program planning. In addition, enhanced coordination within the department and collaboration with other federal partners would increase the program's value to stakeholders. We made seven recommendations to improve the PSA Program's effectiveness and to increase program coordination and communication with private and federal partners.

(OIG-11-12, November 2010, ISP)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-12_Nov10.pdf

National Protection and Programs Directorate's Management Letter for FY 2010 DHS

Consolidated Financial Statements Audit

KPMG LLP, under contract with DHS OIG, reviewed the National Protection and Programs Directorate's internal controls over financial reporting. The management letter discusses six observations related to internal controls identified during the FY 2010 financial statement audit. Observations were noted regarding a range of issues, including untimely deobligation and timely processing. These observations and comments, which were discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies. These issues were determined to be below the level of a significant deficiency and were not required to be reported in the *Independent Auditors' Report*, dated November 12, 2010,

included in the FY 2010 DHS *Annual Financial Report*.

(OIG-11-48, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-48_Mar11.pdf

DIRECTORATE FOR SCIENCE AND TECHNOLOGY

MANAGEMENT REPORTS

Review of the National Bio and Agro-Defense Facility Site Selection Process

Following a 3-year site evaluation process, on January 16, 2009, DHS selected the Manhattan Campus site in Manhattan, Kansas, as the preferred location for building a new National Bio and Agro-Defense Facility. Members of Congress wrote the Inspector General to express concerns that the department's site selection process appeared to be biased and inconsistent with federal law, and requested that we review the process.

DHS carried out the site selection process fairly, and we did not identify any evidence of bias. We did not determine that the former Under Secretary's decisions during the process were predetermined. We could not substantiate that meetings between elected officials and the Under Secretary enabled some consortia to gain an unfair advantage during the site selection process. We made no recommendations in this report.

(OIG-11-13, November 2010, ISP)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-13_Nov10.pdf

Science and Technology Directorate's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit

KPMG LLP, under contract with DHS OIG, reviewed the Science and Technology Directorate's internal controls over financial reporting. The management letter discusses two observations related to internal controls identified during the FY 2010 financial statement audit. These observations relate to issues regarding insufficient controls over property reporting. These observa-

tions and comments, which were discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies. These issues were determined to be below the level of a significant deficiency and were not required to be reported in our *Independent Auditors' Report*, dated November 12, 2010, included in the FY 2010 DHS *Annual Financial Report*.

(OIG-11-50, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-50_Mar11.pdf

FEDERAL EMERGENCY MANAGEMENT AGENCY

MANAGEMENT REPORTS

Improvements Needed in FEMA's Management of Public Assistance-Technical Assistance Contracts

Foxx & Company, under a contract with DHS OIG, determined that FEMA could improve its management of Public Assistance-Technical Assistance Contracts (PA-TACs) by (1) establishing performance measures for contractors and monitoring the contractors based on these measures and (2) providing policies, procedures, guidance, and training to acquisition personnel responsible for management and oversight of PA-TAC contractors to ensure quality of service. Additionally, it is unclear if FEMA's method of awarding task orders under an indefinite delivery, indefinite quantity contract violates the requirement of the *Brooks Act* to award contracts based on competency, qualifications, and expertise. We recommended (1) developing performance and evaluation criteria for PA-TACs, ensuring that contractor performance is judged based on the criteria, and requiring consequences for failing to achieve performance expectations; (2) establishing a formal training program for FEMA's PA-TAC monitors; and (3) monitoring and evaluating the success of the new long-term community recovery contractor. In addition, we identified a legal issue pertaining to the legality of FEMA's method for awarding task orders to contractors under the

Public Assistance-Technical Assistance Program. (OIG-11-02, October 2010, EMO)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-02_Oct10.pdf

American Samoa 2009 Earthquake and Tsunami: After-Action Report

In September 2009, the U.S. Territory of American Samoa was affected by an earthquake, which caused a tsunami and subsequent flooding. This resulted in a Presidential disaster declaration for the territory. As part of our proactive oversight approach in disaster management, an Emergency Management Oversight Team (EMOT) was deployed to the territory shortly after the disaster. The team identified issues that FEMA needs to carefully monitor. American Samoa has a



FEMA Disaster Recovery Center in Utulei, American Samoa
Source: FEMA



FEMA-Built Home in American Samoa
Source: FEMA

history of exercising poor stewardship over federal funds. FEMA treats American Samoa as a high-risk grantee, without the official designation; however, we believe that American Samoa should be formally designated as high risk, to ensure continuity of care, as well as to give American Samoa more incentive to improve its stewardship of taxpayers' funds. During the disaster, one of the two power plants on the main island was destroyed. More than 75% of all public assistance funding to be spent in American Samoa will be for this power plant. This project needs oversight to ensure that the power plant is repaired in a timely manner. The third area of concern is the Pilot Permanent Housing Construction Program FEMA initiated. While there were issues with the initiation of this pilot, we believe that there are lessons for FEMA to learn through conducting this pilot. Our report contains four recommendations for FEMA to improve its permanent housing construction projects.

(OIG-11-03, October 2010, EMO)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-03_Oct10.pdf

Assessment of Federal Emergency Management Agency's Emergency Support Function Roles and Responsibilities

FEMA generally has fulfilled its Emergency Support Function (ESF) roles and responsibilities under the National Response Framework. However, the agency can improve its coordination with stakeholders and its operational readiness. FEMA needs to better coordinate with stakeholders for all ESFs. For example,



Flooding in Tennessee
Source: FEMA



President Obama chairs hurricane briefing at the National Response Coordination Center
Source: FEMA

there was little evidence that support agencies are regularly included in planning meetings for an ESF mission, even though agency officials said that such coordination would be beneficial. FEMA needs to be fully prepared to provide community assistance after a disaster. Specifically, it needs to conduct long-term recovery exercises and clearly define procedures to identify and deploy needed recovery services to disaster-affected communities.

We made 11 recommendations to improve FEMA's efforts to meet its ESF roles and responsibilities. FEMA concurred with all the recommendations. (OIG-11-08, November 2010, EMO)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-08_Nov10.pdf

DHS Financial Assistance to the Association of Community Organizations for Reform Now (ACORN) and Its Affiliates

In response to a congressional inquiry regarding the appropriateness of financial assistance provided by the department to the Association of Community Organizations for Reform Now (ACORN) and its affiliates, we identified one \$450,484 grant awarded in FY 2007 to the ACORN Institute. Our audit of this grant, awarded under the competitive Fire Prevention and Safety Grant Program, concluded that the ACORN Institute should not have received these funds, did not fully implement and evaluate the program as approved, and could not account for \$160,797 of its grant expenditures. As a result of our seven recommendations, FEMA has agreed to revise its procedures

for evaluating applications and monitoring grants, review and recover any unsubstantiated funds from the ACORN Institute, and assess whether the ACORN Institute's performance warrants suspension or debarment as a federal grantee. (OIG-11-10, November 2010, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-10_Nov10.pdf

Use of American Recovery and Reinvestment Act Funds by the Federal Emergency Management Agency for the Transit Security Grant Program

FEMA allocated \$150 million of *American Recovery and Reinvestment Act* funds to help transit and rail operators protect critical surface transportation infrastructure and the traveling public from acts of terrorism, major disasters, and other emergencies. Our review concluded that FEMA administered the Transportation Security Grant Program according to plans and requirements. However, FEMA needs to ensure that the plans, policies, and systems implemented in response to an audit by the Government Accountability Office, *Transit Security Grant Program, DHS Allocates Grants Based on Risk, but Its Risk Methodology, Management Controls, and Grant Oversight Can Be Strengthened* (GAO-09-491), include mechanisms to collect data necessary to evaluate the performance measures for transit security grants awarded with *Recovery Act* funds. FEMA agreed with this recommendation. We also determined that as of September 30, 2009, FEMA obligated 100% of the *Recovery Act* funds appropriated for the Transportation Security Grant Program. As of October 4, 2010, grantees reported spending \$22 million, and recipients reported creating or retaining 215 jobs as of June 30, 2010.

(OIG-11-18, December 2010, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-18_Dec10.pdf

Annual Report to Congress on States' and Urban Areas' Management of Homeland Security Grant Programs Fiscal Year 2010

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, requires DHS OIG to audit individual states' management of State Homeland Security Program and Urban Areas Security Initiative grants, and submit an

annual report to Congress summarizing the results of those audits. This report responds to the annual reporting requirement and summarizes audits of four states completed in FY 2010.

Generally, the states did an efficient and effective job of administering the grant management program requirements, distributing grant funds, and ensuring that all of the available funds were used. The states used reasonable methodologies to assess threats, vulnerabilities, capabilities, and needs, and allocated funds accordingly. The states complied with cash management and status reporting requirements, and procurement methodologies conformed to the states' strategies. The states generally spent funds in accordance with grant requirements and state-established priorities. We also identified an effective tool and practice used by one of the states. We identified two areas for improvement: strategic planning and oversight of grant activities. We also identified \$46,000 in questioned costs. We made 19 recommendations addressing these areas. FEMA concurred with all recommendations, and corrective actions are under way to implement them.

(OIG-11-20, December 2010, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-20_Dec10.pdf

Management Advisory Report: Recoupment of Improper Disaster Assistance Payments

During an inspection of FEMA's Fraud Prevention and Investigation Branch, we learned that FEMA was not attempting to recoup more than \$643 million in improper individual assistance payments for Hurricanes Katrina and Rita and subsequent disasters. Recoupment stopped in 2007 because (1) a federal district court issued an injunction against the continuance of FEMA's recoupment process, and (2) DHS had issued new department-wide debt collection standards, which superseded FEMA's process. A new recoupment process, developed by the Office of Chief Counsel with the assistance of the Individual Assistance Program Office and the FEMA Finance Center, has been awaiting approval of the Administrator since late 2008. The injunction prohibiting FEMA's recoupment of these improper payments was dissolved in 2009. The prior and current FEMA

Administrators and administrations were briefed on the amount of money outstanding and the newly established recoupment process. Consideration was given to “forgiving” the debts arising from Hurricanes Katrina and Rita, or the smallest debts, but OMB has confirmed that FEMA is legally obligated to collect the debt. We recommended that the FEMA Administrator immediately approve the new recoupment process. (OIG-11-21, December 2010, EMO)
http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-21_Dec10.pdf

Management Advisory Report: FEMA’s Disaster Assistance Employee Payroll and Deployment Data

This Management Advisory Report presented the results of our analysis of FEMA’s deployment and payroll databases, which was a follow-on to an earlier review, *FEMA’s Management of Disaster Assistance Employee Deployment and Payroll Processes*, OIG -10-115, issued September 2010. We reviewed more than 1.3 million payroll transaction elements and more than 160,000 deployment/assignment record entries for more than 30,000 employees from January 2005 through September 2009. Our review disclosed that FEMA’s payroll records (1) were not always linked to deployment records; (2) contained inconsistent information; and (3) were susceptible to duplicate payments. We recommended that FEMA take action to improve the accuracy of its record systems. (OIG-11-23, January 2011, EMO)
http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-23_Jan11.pdf

The State of Tennessee’s Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 through 2008

The state of Tennessee received approximately \$40.9 million in State Homeland Security Program grants and \$15 million in Urban Areas Security Initiative grants awarded by FEMA during FYs 2006 through 2008. Foxx & Company, under a contract with DHS OIG, conducted an audit of these grants to determine whether the state spent funds strategi-

cally, effectively, and in compliance with laws, regulations, and guidance.

Generally, the State Administrative Agency did an efficient job of administering the program and distributing grant funds. Funding was linked to plans and core priorities identified by the Governor’s Office of Homeland Security, and funds and resources were distributed based on those priorities. Reasonable methodologies were used for assessing threats and vulnerabilities and response capability. Grants were generally administered in compliance with applicable laws, regulations, and guidance.

However, improvements were needed in Tennessee’s management of the State Homeland Security Program grants regarding compliance with inventory requirements. Our recommendation, already implemented by the state, should help strengthen program management, performance, and oversight. (OIG-11-29, January 2011, OA)
http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-29_Jan11.pdf

The State of New York’s Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 through 2008

The state of New York received approximately \$565 million in State Homeland Security Program and Urban Areas Security Initiative grants awarded by FEMA during FYs 2006 through 2008. Foxx & Company, under a contract with DHS OIG, conducted an audit of these grants to determine whether the state spent funds strategically, effectively, and in compliance with laws, regulations, and guidance.

Generally, the state did an efficient and effective job of administering the program requirements. The state’s plans linked funding to all-hazard capabilities and to goals that were established based on risk assessments.

However, some improvements were needed in the state’s establishment of measurable goals and objectives, identification of long-term capability

sustainment options, compliance with procurement and inventory requirements, and timeliness of expenditures. Our 14 recommendations call for FEMA to require New York to initiate improvements that, if implemented, should help strengthen program management, performance, and oversight. (OIG-11-30, January 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-30_Jan11.pdf

FEMA's Progress in Implementing the Remedial Action Management Program

We reviewed FEMA's implementation of the Remedial Action Management Program. The objective of the audit was to determine to what extent FEMA has implemented the program to identify and distribute lessons learned and best practices to improve its incident management operations. While FEMA has implemented these elements of the program, there are opportunities for improvement. FEMA officials should conduct after-action reviews for every disaster to identify lessons learned and best practices and should expand their distribution. In addition, FEMA needs to prepare better instructions or examples on how to develop clear and concise lesson learned and best practice statements, enhance its archiving procedures to prevent data loss. The report contains six recommendations to improve FEMA's efforts to identify and distribute lessons learned and best practices.

(OIG-11-32, January 2011, EMO)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-32_Jan11.pdf

FEMA's Oversight and Management of Debris Removal Operations

FEMA has expended more than \$8 billion over the past 11 years reimbursing local governments for the costs of removing debris from disasters. This program has been generally successful in enabling effective debris removal. However, many communities are unprepared for such efforts, and qualified advisors are not always available when needed. Debris removal operations are frequently more expensive than necessary and would benefit from improved monitoring. Better planning, contracting, and oversight would allow such operations to be conducted in a more cost-effective

manner. This report addresses each of these areas and makes recommendations for improvements. (OIG-11-40, February 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-40_Feb11.pdf

The State of Texas' Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 through 2008

The state of Texas received approximately \$291 million in State Homeland Security Program and Urban Areas Security Initiative grants awarded by FEMA during FYs 2006 through 2008. Foxx & Company, under a contract with DHS OIG, conducted an audit of these grants to determine whether the state spent funds strategically, effectively, and in compliance with laws, regulations, and guidance.

Generally, the state did an efficient and effective job of administering the program requirements in accordance with grant guidance, regulations, and laws. The state's plans linked funding to all-hazard capabilities and to goals that were established based on risk assessments. We identified two best practices that should be considered for sharing with other jurisdictions.

However, improvements were needed in the state's establishment of measurable goals and objectives, monitoring of subgrantee activities, timeliness of expenditures, oversight of special response teams, review and approval of state agency projects, allocation of funds by Councils of Government, and compliance with inventory requirements. Our 14 recommendations call for FEMA to require Texas to initiate improvements that, if implemented, should help strengthen program management, performance, and oversight. (OIG-11-44, February 2010, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-44_Feb11.pdf

The State of California's Management of Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 through 2008

The state of California received approximately \$421 million in Urban Areas Security

Initiative grants awarded by FEMA during FYs 2006 through 2008. Foxx & Company, under a contract with DHS OIG, conducted an audit of these grants to determine whether the state spent funds strategically, effectively, and in compliance with laws, regulations, and guidance.

Generally, the state did an efficient and effective job of administering the program requirements in accordance with grant guidance, regulations, and laws. The state used reasonable methodologies for assessing threats, vulnerabilities, and prioritized needs, and measured response capabilities and performance using a variety of techniques, including exercises and After Action Reports. We identified two best practices that should be considered for sharing with other jurisdictions.

However, improvements were needed in the state's reporting of program results, oversight of investments, timely awarding of grant funds, ability to sustain capabilities without federal funds, monitoring of recipients, compliance with procurement regulations, oversight of reimbursements, and management of cash advances. Our 19 recommendations call for FEMA to require California to initiate improvements that, if implemented, should help strengthen program management, performance, and oversight.

(OIG-11-46, February 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-46_Feb11.pdf

Opportunities to Improve FEMA's Public Assistance Appeals Process

The Public Assistance Appeal Process provides an opportunity for local governments applying for grant funds to appeal to FEMA concerning project eligibility or ineligible costs. FEMA's appeals process does not provide applicants with timely appeal decisions. Specific improvements are needed in FEMA's processing procedures, database tracking system, and status feedback process. This report addresses each of these areas and makes recommendations for improvements.

(OIG-11-49, March 2011, EMO)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-49_Mar11.pdf

Actions Taken by the Federal Emergency Management Agency in Response to an Allegation Concerning the Application for a Station Construction Grant Submitted by the University City, Missouri, Fire Department

The American Recovery and Reinvestment Act of 2009 appropriated \$210 million to FEMA for competitive grants to modify, upgrade, or construct nonfederal fire stations. We received an allegation that the application for a \$2.6 million Station Construction Grant submitted by the University City, Missouri, Fire Department contained unsupported and inaccurate statements. Our review determined that FEMA took appropriate actions to evaluate the allegation concerning the University City application.

(OIG-11-52, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-52_Mar11.pdf

Ohio Law Enforcement Terrorism Prevention Program Subgrants, Fiscal Years 2004–2006

At the request of the FEMA Grant Programs Directorate, we audited the Law Enforcement Terrorism Prevention Program funds subgranted by the Ohio Emergency Management Agency to the Ohio Association of Chiefs of Police. The audit focused on approximately \$21,500,000 awarded during FYs 2004 through 2006.

We reviewed questioned costs of \$1,992,209 in nonpayroll and \$2,851,945 in payroll costs totaling \$4,844,154, previously identified by the accounting firm Crowe Horwath. We verified that these costs were either not allowable or did not have proper supporting documentation, and confirmed the findings in the Crowe Horwath report. The expenditures were unallowable because they were unrelated to the grant activity, misclassified, outside the period of performance, or not supported by receipts or invoices.

Our two recommendations called for FEMA to request reimbursement of \$1,992,209 from the Ohio Emergency Management Agency for nonpayroll expenditures that were unallowable or did not have proper supporting documentation,

and \$2,851,945 in unallowable payroll expenditures, for a total of \$4,844,154.

(OIG-11-60, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-60_Mar11.pdf

DISASTER ASSISTANCE GRANTS

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (Public Law 93-288), as amended, governs disasters declared by the President of the United States. Title 44 of the Code of Federal Regulations provides further guidance and requirements for administering disaster assistance grants awarded by FEMA. We review grants to ensure that grantees or subgrantees account for and expend FEMA funds according to federal regulations and FEMA guidelines.

We issued 30 financial assistance grant reports during the period. The reports disclosed questioned costs totaling \$98,199,433, of which \$20,990,301 was unsupported. A list of these reports, including questioned costs and unsupported costs, is provided in Appendix 4. Most of the reports are summarized below.

City of West Palm Beach, Florida

The city of West Palm Beach, Florida, received public assistance grant awards totaling \$20.3 million from the Florida Department of Community Affairs (DCA), a FEMA grantee, for damages related to Hurricanes Frances, Jeanne, and Wilma. The awards provided 90% FEMA funding for Frances and Jeanne, and 100% FEMA funding for Wilma. Approved activities under the awards included emergency protective measures, debris removal activities, and repairs to roads and facilities. We reviewed \$17.3 million of costs claimed. The city accounted for FEMA funds on a project-by-project basis according to federal regulations. However, the city's claim included \$2.2 million of costs (federal share \$2.1 million) that we questioned as unsupported, ineligible, duplicative, and excessive. We recommended that the Regional Administrator, FEMA Region IV, in coordination with DCA, (1) disallow the \$2.2 million of questioned costs and (2) review the city's

insurance policies and credit the FEMA projects for costs covered by insurance.

(DA-11-01, October 2010, EMO)

http://www.dhs.gov/xoig/assets/audittrpts/OIG_DA-11-01_Oct10.pdf

Miami-Dade County Public Schools

The Miami-Dade County School District received a public assistance grant award of \$6.4 million from the Florida DCA, a FEMA grantee, for damages resulting from Hurricane Katrina in August 2005. The award provided 100% FEMA funding for debris removal, emergency protective measures, and repairs to buildings and facilities. We reviewed \$5.8 million awarded under five large projects. The school district did not account for FEMA funds on a project-by-project basis as required by federal regulations. We also determined that \$2.7 million of FEMA funds can be deobligated and put to better use because the funds are no longer needed to complete work under the project. Additionally, we questioned \$1.7 million of costs as unsupported, excessive, and ineligible. We recommended that the Regional Administrator, FEMA Region IV, in coordination with DCA, (1) instruct the school district to account for disaster costs on a project-by-project basis; (2) deobligate the \$2.7 million of unneeded project funding; and (3) disallow the \$1.66 million of questioned costs.

(DA-11-02, October 2010, EMO)

http://www.dhs.gov/xoig/assets/audittrpts/OIG_DA-11-02_Oct10.pdf

Broward County School Board District

The Broward County School Board District, Fort Lauderdale, Florida, received public assistance grant awards totaling \$60.8 million from the Florida DCA, a FEMA grantee, for damages related to Hurricanes Katrina and Wilma. The awards provided 100% FEMA funding for debris removal activities, emergency protective measures, permanent repairs to facilities, and other disaster-related activities. We reviewed \$15.7 million awarded under the two disasters, which consisted of \$1.3 million for emergency work related to Hurricane Katrina and \$14.4 million for emergency and permanent repair work related

to Hurricane Wilma. The school board did not account for FEMA funds on a project-by-project basis, as required by federal regulations, and did not always comply with federal procurement regulations when contracting for disaster activities. Additionally, we questioned \$14.9 million of costs as unreasonable, unsupported, unnecessary, or excessive. We recommended that the Regional Administrator, FEMA Region IV, in coordination with DCA, (1) instruct the school board to account for disaster costs on a project-by-project basis; (2) inform the school board that it must comply with federal regulations and FEMA guidelines when procuring goods and services under FEMA awards; and (3) disallow the \$14.9 million of questioned costs.

(DA-11-03, October 2010, EMO)

http://www.dhs.gov/xoig/assets/auditrpts/OIG_DA-11-03_Oct10.pdf

Biloxi Public School District, Mississippi

The Biloxi Public School District, Mississippi, received a public assistance award of \$12.9 million from the Mississippi Emergency Management Agency (MEMA), a FEMA grantee, for damages related to Hurricane Katrina. The award provided 100% FEMA funding for debris removal, emergency protective measures, and permanent repairs to school buildings. We reviewed costs totaling \$11.8 million under five large projects. The district did not always comply with federal procurement requirements and guidelines when procuring services under the award. Also, the district did not have a documented contract to support contractor billings for tree removal work. We recommended that the Regional Administrator, FEMA Region IV, in coordination with MEMA, instruct the district to (1) comply with the procurement regulations when acquiring goods and services under the FEMA award and (2) adequately support all accounting records with applicable source documents.

(DA-11-04, December 2010, EMO)

http://www.dhs.gov/xoig/assets/auditrpts/OIG_DA-11-04_Dec10.pdf

New York City Department of Environmental Protection

The New York City Department of Environmental Protection received a public assistance award totaling \$10.2 million from the New York State Emergency Management Office (SEMO), a FEMA grantee, for damages related to severe flooding that was declared on July 1, 2006. The award provided 75% FEMA funding for emergency protective measures, debris removal activities, and repairs to roads and facilities. We limited our review to \$9.6 million of funds awarded under five projects. The department accounted for FEMA funds on a project-by-project basis according to federal regulations for large projects. However, we concluded that \$8 million (FEMA share \$6 million) of project funding awarded to the department should be deobligated because the approved work has not been started and the authorized completion date has passed. We recommended that the Regional Administrator, FEMA Region II, in coordination with SEMO, deobligate the \$8 million of project funding (\$6 million federal share).

(DA-11-05, December 2010, EMO)

http://www.dhs.gov/xoig/assets/auditrpts/OIG_DA-11-05_Dec10.pdf

Harrison County, Mississippi, Hazard Mitigation Grant Program

Harrison County, Mississippi, received a Hazard Mitigation Grant Program (HMGP) award of \$16.3 million from MEMA, a FEMA grantee. The award included 75% FEMA funding for a multijurisdictional mitigation plan, and 100% FEMA funding for generators to provide back-up power for schools to be used as shelters and construction of three community shelters. We reviewed costs totaling \$2.4 million under four projects awarded for the generators and community shelters. The county did not always comply with federal procurement requirements and guidelines when procuring services under the award, which may have resulted in excessive charges. Also, we questioned \$347,900 of duplicate contract costs. We recommended that the Regional Administrator, FEMA Region IV, in coordination with MEMA, (1) instruct the county to comply with

the procurement requirements prescribed in 44 CFR 13.36; (2) disallow costs claimed for contract services that are determined to be unreasonable; and (3) deobligate \$347,900 awarded for duplicate activities.

(DA-11-06, January 2011, EMO)

http://www.dhs.gov/xoig/assets/audittrpts/OIG_DA-11-06_Jan11.pdf

Puerto Rico Department of Transportation and Public Works

The Puerto Rico Department of Transportation and Public Works received an award of \$8.9 million from the Puerto Rico Office of Management and Budget, a FEMA grantee, for damages related to floods and mudslides (2003 and 2008), and Tropical Storm Jeanne in 2004. The awards provided 75% FEMA funding for debris removal, emergency protective measures, and repairs to roads and public facilities. We reviewed costs totaling \$3.9 million claimed under the three disasters. The department did not account for FEMA project expenditures according to federal regulations and did not always comply with federal procurement standards when contracting for disaster activities. In addition, we questioned costs totaling \$2.4 million (FEMA share \$1.8 million) under the three disasters that resulted from duplicate funding, unauthorized work, small projects not implemented, and previously disallowed costs. We also concluded that \$366,000 of project funding should be deobligated. We recommended that the Regional Administrator, FEMA Region II, in coordination with the grantee, (1) inform the department, for future disasters, to separately account for project costs on a project-by-project basis and to maintain supporting documentation that facilitates the tracing of project expenditures in its accounting system; (2) disallow the \$2.4 million of questioned costs (\$1.8 million federal share); and (3) deobligate the \$366,000 of unneeded funding.

(DA-11-07, January 2011, EMO)

http://www.dhs.gov/xoig/assets/audittrpts/OIG_DA-11-07_Jan11.pdf

Broward Sheriff's Office – Disaster Activities Related to Hurricane Wilma

The Broward Sheriff's Office in Broward County, Florida, received a public assistance award totaling \$8.9 million from the Florida Division of Emergency Management (FDEM), a FEMA grantee, for damages related to Hurricane Wilma in October 2005. The award provided 100% FEMA funding for emergency protective measures and permanent repairs to damaged facilities. We reviewed costs totaling \$8.8 million under the disaster. The Sheriff's Office grant accounting system did not account for expenditures on a project-by-project basis or provide a means to readily trace project expenditures to source documents. Also, we could not validate that the Sheriff's Office pursued full insurance recoveries for \$3.9 million in damages. In addition, we determined that \$43,000 of costs were excessive. We recommended that the Regional Administrator, FEMA Region IV, in coordination with the FDEM, (1) instruct the Sheriff's Office to separately account for project costs on a project-by-project basis that facilitates the tracing of project expenditures in its accounting system; (2) disallow \$3.9 million of damages covered by insurance; and (3) disallow \$43,000 of excessive overtime fringe benefits.

(DA-11-08, February 2011, EMO)

http://www.dhs.gov/xoig/assets/audittrpts/OIG_DA-11-08_Feb11.pdf

Beauvoir – Jefferson Davis Home and Presidential Library

Beauvoir, a national historic landmark, received a public assistance award of \$17.2 million from MEMA, a FEMA grantee, for damages related to Hurricane Katrina in August 2005. The award provided 100% FEMA funding for debris removal, emergency protective measures, and repair of buildings, equipment, and other facilities damaged as a result of the disaster. Our audit focused primarily on \$14.5 million awarded under four large projects. Beauvoir's grant accounting system accounted for expenditures on a project-by-project basis and provided a means to readily trace project expenditures to source documents, as required by federal regulations. However, we concluded

that \$1.05 million of project funding should be deobligated because Beauvoir received insurance proceeds, grants, and donations from other sources to cover the authorized work. We recommended that the Regional Administrator, FEMA Region IV, in coordination with MEMA, deobligate the \$1.05 million of ineligible project funding. (DA-11-10, March 2011, EMO)

http://www.dhs.gov/xoig/assets/auditrpts/OIG_DA-11-10_Mar11.pdf

Emerald Coast Utilities Authority

The Emerald Coast Utilities Authority (ECUA), in Pensacola, Florida, received an award of \$158.6 million from FDEM, a FEMA grantee, for damages resulting from Hurricane Ivan in September 2004. The award provided 90% FEMA funding. We limited our review to ECUA's compliance with state and federal regulations (44 CFR 13.36(e)) concerning contract awards to small, minority, and women-owned businesses on the Main Street Wastewater Relocation Project. ECUA did not comply with certain provisions of 44 CFR 13.36(e). We recommended that the Regional Administrator, FEMA Region IV, in coordination with FDEM, instruct ECUA to (1) accelerate its efforts to develop a solicitation process that will ensure small, minority, and women-owned businesses are considered for future procurements; (2) use the services of the Small Business Administration and the Minority Business Development Agency of the U.S. Department of Commerce to ensure that minority firms, women's business enterprises, and labor surplus area firms are considered for future procurements; and (3) require prime contractors to take affirmative steps to subcontract with small, minority, and women-owned businesses on future procurements when possible.

(DA-11-11, March 2011, EMO)

http://www.dhs.gov/xoig/assets/auditrpts/OIG_DA-11-11_Mar11.pdf

University of Texas, MD Anderson Cancer Center

The University of Texas, MD Anderson Cancer Center received a \$36.6 million award from the Texas Division of Emergency Management, a FEMA grantee, to protect hospital facilities from future flood damages. We audited \$18.4 million,

or 50% of these costs. The hospital's project management generally complied with applicable regulations and guidelines. However, because FEMA did not retain project eligibility documentation as required, we could not determine whether the hospital's HMGP projects met FEMA eligibility requirements. Further, the hospital did not always account for FEMA funds according to federal regulations and FEMA guidelines. As a result, we questioned a total of \$596,670 (\$447,502 federal share). Of that amount, \$510,491 (\$382,868 federal share) in unsupported contractor costs, and \$86,179 (\$64,634 federal share) related to ineligible costs.

(DD-11-01, October 2010, EMO)

http://www.dhs.gov/xoig/assets/auditrpts/OIG_DD-11-01_Oct10.pdf

LaFon Nursing Facility of the Holy Family

We audited \$11.75 million in FEMA public assistance funds awarded to the Lafon Nursing Facility of the Holy Family, in New Orleans, Louisiana. Our audit objective was to determine whether Lafon accounted for and expended FEMA grant funds according to federal regulations and FEMA guidelines. We audited one project totaling \$11.75 million of the total \$12.75 awarded. Generally, Lafon accounted for and expended FEMA grant funds according to federal regulations and FEMA guidelines. However, Lafon has not obtained and maintained sufficient flood insurance and did not always follow federal procurement standards. Therefore we question \$10.75 million of the \$11.75 million estimated for Project 13911. We recommended that the Regional Administrator, Region VI, ensure that Lafon obtains and maintains additional flood insurance to cover the full amount of eligible disaster assistance or disallow the uninsured portion totaling \$9.6 million and disallow \$1.1 million of improper contracting costs.

(DD-11-02, December 2010, EMO)

http://www.dhs.gov/xoig/assets/auditrpts/OIG_DD-11-02_Dec10.pdf

Town of Franklinton, Louisiana

We audited \$9.4 million in FEMA public assistance funds awarded to the town of Franklinton, Louisiana, for damages caused by Hurricane Katrina. Our audit objective was

to determine whether the town accounted for and expended FEMA grant funds according to federal regulations and FEMA guidelines. The town has completed work on all six projects, and we audited costs claimed for all projects. The town generally accounted for and expended FEMA funds according to federal regulations and FEMA guidelines. We recommended that the Regional Administrator, FEMA Region VI, (1) disallow \$73,100 of ineligible contract costs for the contractor charging more than the agreed-upon rates; (2) require the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) to use the results of the audit to submit its final accounting for the six projects awarded to the town; (3) and deobligate \$655,189 of costs exceeding the eligible amounts claimed and put those funds to better use.

(DD-11-03, December 2010, EMO)

http://www.dhs.gov/xoig/assets/auditrrpts/OIG_DD-11-03_Dec10.pdf

Town of Abita Springs, Louisiana

The town of Abita Springs, Louisiana, received a \$5.1 million public assistance grant award from GOHSEP, a FEMA grantee, for damages resulting from Hurricane Katrina. We audited \$4.78 million, or 94% of the total award. The town accounted for FEMA grant funds on a project-by-project basis as required, but did not always follow federal procurement standards for contracting. We recommended that FEMA (1) disallow \$3.5 million of improper contracting costs; (2) require GOHSEP to advise the town on proper procurement procedures required under federal grant awards; (3) disallow \$19,600 of duplicate supply costs, (\$13,290 of ineligible costs, and \$1,710 of ineligible contract costs for administrative tasks; and (4) deobligate \$429,503 of costs exceeding the eligible amounts claimed and put those funds to better use.

(DD-11-04, December 2010, EMO)

http://www.dhs.gov/xoig/assets/auditrrpts/OIG_DD-11-04_Dec10.pdf

Chambers County, Texas

In response to a congressional request, we audited \$51.8 million in FEMA Public Assistance funds awarded to Chambers County, Texas, for damages

resulting from Hurricane Ike, which occurred in September 2008. County officials did not comply with federal procurement regulations and FEMA guidelines when they awarded four of five debris contracts worth \$44.6 million. As a result, the county paid high hourly rates on one contract, and FEMA had no assurance that the county paid reasonable rates on the other three. Instead of providing full and open competition and allowing market conditions to establish reasonable rates, county officials awarded the contracts noncompetitively. Neither the county nor FEMA retained cost analysis documentation supporting how they determined that hourly rates were reasonable. The county also did not monitor time-and-material contracts, and claimed \$4.0 million in ineligible and unsupported costs. We recommended that FEMA disallow \$44.6 million and establish, strengthen, and implement Public Assistance program oversight procedures to proactively identify and correct contracting compliance problems.

(DD-11-05, December 2010, EMO)

http://www.dhs.gov/xoig/assets/auditrrpts/OIG_DD-11-05_Dec10.pdf

Chennault International Airport Authority, Lake Charles, Louisiana

The Chennault International Airport Authority (CIAA) was awarded \$14.1 million for damages resulting from Hurricane Rita. The award provided 100% funding for 15 large projects and 26 small projects. We determined that CIAA generally accounted for and expended FEMA grant funds according to federal regulations and FEMA guidelines. However, CIAA did not always follow federal procurement standards in awarding its contracts. Further, its claim included ineligible contract costs, unsupported contract costs, and nondisaster costs. Additionally, FEMA has not completed allocation of insurance proceeds to CIAA's projects and had obligated costs twice on one project. We recommended the Regional Administrator, FEMA Region VI, disallow \$231,819 of unsupported costs, \$179,835 of ineligible costs, and \$4,367 of nondisaster-related costs. We also recommended that FEMA complete the insurance review, allocate the applicable insurance proceeds to CIAA's projects,

deobligate those amounts (estimated \$1.2 million) from the projects, and deobligate \$3,022 of duplicate obligations.

(DD-11-07, January 2011, EMO)

http://www.dhs.gov/xoig/assets/auditrrpts/OIG_DD-11-07_Jan11.pdf

City of Slidell, Louisiana

The city of Slidell, Louisiana, received a \$45 million public assistance award from GOHSEP, a FEMA grantee, for damages resulting from Hurricane Katrina. We audited \$29.2 million, or 65% of the total award. Generally, the city accounted for and expended FEMA grant funds according to federal regulations and FEMA guidelines. However, the city did not always comply with federal procurement standards, and its claim included \$470,819 of questionable costs. We recommended that FEMA disallow \$470,819 of ineligible and unsupported costs, recover \$15,362 of interest earned, and deobligate \$3.1 million of funds and put those funds to better use.

(DD-11-08, February 2011, EMO)

http://www.dhs.gov/xoig/assets/auditrrpts/OIG_DD-11-08_Jan11.pdf

Roman Catholic Church of the Archdiocese of New Orleans Funding of Permanent Work

We audited public assistance grant funds awarded to the Roman Catholic Church of the Archdiocese of New Orleans for disaster recovery work related to Hurricane Katrina. GOHSEP, a FEMA grantee, awarded the archdiocese \$338 million for damages resulting from Hurricane Katrina. The archdiocese generally accounted for and expended FEMA grant funds according to federal regulations and FEMA guidelines. However, we questioned \$362,864 because the archdiocese decided not to complete nine small projects totaling \$181,580, FEMA did not deduct \$170,229 in insurance proceeds from four projects, and FEMA funded two small projects with the same scope of work at \$11,055 each. Therefore, we recommended that the Regional Administrator, FEMA Region VI, disallow \$362,864.

(DD-11-11, March 2011, EMO)

http://www.dhs.gov/xoig/assets/auditrrpts/OIG_DD-11-11_Mar11.pdf

Capping Report: FY 2009 Public Assistance Grant and Subgrant Audits

We summarized the results of 51 Public Assistance (PA) program grant and subgrant audits performed during FY 2009 and identified frequently reported audit findings, quantified the financial impact of these findings, and offered actions FEMA can take to mitigate recurrence. Our FY 2009 reports contained 139 recommendations regarding 208 findings or reportable conditions and identified potential monetary benefits of \$138.4 million. We determined that (1) grantees and subgrantees did not always properly expend and account for FEMA funds, and (2) FEMA grantees should educate subgrantees and enforce federal regulations. Also, FEMA does not always hold grantees accountable for their failure to properly administer subgrant awards, especially with regard to contracting practices. We recommended that FEMA emphasize to FEMA personnel involved in the PA program the importance of (1) vigorously enforcing all regulations and policies to ensure that grantees and subgrantees are held accountable for spending disaster assistance funds in a manner that instills the public's confidence that the funds are being spent wisely; (2) using all available remedies to deal with material instances of noncompliance with grant and subgrant statutes and regulations; and (3) engaging grantees in ongoing proactive working relationships.

(DS-11-01, December 2010, EMO)

http://www.dhs.gov/xoig/assets/auditrrpts/OIG_DS-11-01_Dec10.pdf

County of Ventura, California

The County of Ventura, California, received a public assistance subgrant award of \$14 million from California Emergency Management Agency (Cal EMA), a FEMA grantee, for emergency protective measures and permanent repairs to facilities damaged by severe storms, flooding, debris flows, and mudslides beginning on December 27, 2004, and continuing through January 11, 2005. FEMA provided 75% federal funding for 81 projects (40 large projects and 41 small projects). The report noted that the county received insurance recoveries for disaster damages without notifying FEMA to offset \$1.6

million of its share of disaster damage costs for nine projects. We also reported that for one large project reviewed, the county could not support \$21,604 in force account labor charges. We recommended that FEMA (1) deobligate \$1.6 million in unneeded project funding (\$1.6 million federal share); (2) determine whether any other county applicants received any part of the county's \$1.8 million insurance recovery and take action to offset applicable insurance proceeds against FEMA-funded project costs; and (3) require Cal EMA to disallow \$21,604 in unsupported force account labor charges.

(DS-11-03, December 2010, EMO)

http://www.dhs.gov/xoig/assets/audittrpts/OIG_DS-11-03_Dec10.pdf

County of Santa Barbara, California

We audited public assistance funds awarded to the County of Santa Barbara, California. The objective of the audit was to determine whether the county expended and accounted for FEMA funds according to federal regulations and FEMA guidelines. Of the \$6.9 million incurred costs that we reviewed, the county was not in compliance with applicable federal requirements for \$2 million. We recommended that FEMA (1) inform the county of its regulatory requirement to strictly follow procurement procedures that conform to applicable federal law and standards; (2) disallow \$1.9 million ineligible costs (\$1.47 million federal share); and (3) disallow \$89,357 in unsupported costs.

(DS-11-04, January 2011, EMO)

http://www.dhs.gov/xoig/assets/audittrpts/OIG_DS-11-04_Jan11.pdf

Idaho Bureau of Homeland Security, Homedale Highway District, and Owyhee County, Idaho

The Idaho Military Department's Bureau of Homeland Security (IDBHS), a FEMA grantee, received a public assistance award of \$1.5 million for management and administrative costs, emergency protective measures, and permanent repairs to facilities damaged by severe storms and flooding beginning December 30, 2005, and continuing through January 4, 2006. The eligible subgrantees included IDBHS, the Homedale Highway District, and Owyhee County. Of the \$1.5 million award, FEMA provided 75% federal

funding (\$1.1 million), and nonfederal sources funded the remaining 25% for 2 large projects and 13 small projects. The audit covered the period from January 4, 2006, to the closeout of the disaster on July 23, 2008. We audited one Project Worksheet for each of the three subgrantees with total funding of \$1.1 million, or about 71% of the eligible amount. We determined that IDBHS and its subgrantees expended and accounted for public assistance funds according to federal regulations and FEMA guidelines.

(DS-11-05, January 2011, EMO)

http://www.dhs.gov/xoig/assets/audittrpts/OIG_DS-11-05_Jan11.pdf

California Department of Forestry and Fire Protection

We audited public assistance funds awarded to the California Department of Forestry and Fire Protection, Sacramento, California. The objective of the audit was to determine whether the department expended and accounted for FEMA funds according to federal regulations and FEMA guidelines. Of the \$80.4 million the department claimed for the cost categories selected for audit, \$12.7 million was not in compliance with applicable federal requirements. The department also did not properly request additional funding for a cost overrun exceeding \$80 million. In addition, based on the results of our testing, we estimated that an additional \$19 million would be questioned if a 100% review of the categories of costs we sampled were performed. We recommended that FEMA (1) disallow \$7.8 million ineligible costs and \$4.9 million unsupported costs; (2) advise the department on the proper procedures for requesting additional funding for project cost overruns; and (3) require the department to review its costs incurred and submit a revised claim based on supporting documentation and applicable federal criteria.

(DS-11-06, March 2011, EMO)

http://www.dhs.gov/xoig/assets/audittrpts/OIG_DS-11-06_Feb11.pdf

County of Sonoma, California

We audited public assistance funds awarded to the County of Sonoma, California. The objective of the audit was to determine whether the county expended and accounted for FEMA

funds according to federal regulations and FEMA guidelines. Of the \$5.3 million of FEMA funds we reviewed, the county did not expend and account for \$2.1 million according to federal regulations and FEMA guidelines. Further, FEMA should deobligate \$804,996 of funds not used and put those funds to better use. The report also addressed (1) \$660,175 in funding for which an accounting of eligible labor rates is in process; (2) the county's system for documenting its projects' scope of work; and (3) the need for a final, approved State Administrative Plan. We recommended that FEMA (1) disallow \$2.1 million of ineligible and unsupported costs (\$2 million ineligible and \$67,000 unsupported); (2) deobligate \$804,996 and put those funds to better use; (3) ensure that labor-weighted rate charges for Project 1764—as well as all approved projects—comply with federal criteria, are accurate with respect to base salary, fringe, and overhead, and are associated with applicable and eligible projects; (4) advise county officials to consistently use work orders or a similar system of defining the scope of work for FEMA projects; and (5) ensure that the State Administrative Plan is completed and approved in a timely manner each year and is accessible for reference and distribution.

(DS-11-07, March 2011, EMO)

http://www.dhs.gov/xoig/assets/auditrpts/OIG_DS-11-07_Feb11.pdf

Lake County, California

We audited public assistance funds awarded to Lake County, California. The county generally expended and accounted for FEMA funds according to federal regulations and FEMA guidelines. We identified (1) \$1.2 million of unused federal funds; (2) \$79,938 in questioned costs already covered by FEMA's statutory administrative allowance; and (3) \$100,753 in force account equipment charges that, in part, are ineligible. We recommended that the FEMA Region IX Administrator, in coordination with the grantee: (1) deobligate \$1.2 million (\$876,794 federal share) and put those funds to better use; (2) disallow \$79,938 (\$59,954 federal share) of ineligible indirect costs; and (3) ensure that the

county claims the lowest rates for force account equipment charges.

(DS-11-08, March 2011, EMO)

http://www.dhs.gov/xoig/assets/auditrpts/OIG_DS-11-08_Mar11.pdf

INVESTIGATIONS

County Director Pleaded Guilty to Converting FEMA Grant Funds

Our investigation determined that the former director of a county Emergency Management Agency in Indiana stole property purchased with FEMA grant money for a Stockpile Emergency Preparedness Program. He took \$19,196 worth of items such as televisions, kitchen appliances, and a Kubota tractor paid for by the FEMA grants and converted the property to his personal use. On February 17, 2010, in the Southern District of Indiana, he was sentenced to 10 months incarceration and 24 months supervision, and was ordered to pay \$19,196 to FEMA.

Consultant Pays US Government \$2.96 Million to Settle False Claims Suit

An investigation determined that the owner of a consulting company overcharged FEMA during the course of a \$5.2 million contract for ambulance services. As a result, a civil False Claims suit was filed against him in the U.S. District Court for the Middle District of Louisiana. Subsequently, a Consent Judgment was filed, requiring him to pay \$2.97 million in damages.

Town Mayor and Police Chief Pleaded Guilty to Disaster Benefit Fraud Scheme

As a result of our investigation, the former mayor, police chief, and three other city employees from Ball, Louisiana, pleaded guilty to fraud charges related to FEMA funds dispersed after Hurricane Gustav. The mayor and others defrauded the government by overstating both the hours worked and the mileage on town vehicles and equipment used in response to Hurricane Gustav in 2008, and later submitted falsified timesheets to FEMA for reimbursement. All five individuals have pleaded guilty and are pending final sentencing on April 25, 2011. The former mayor and police chief face a maximum sentence of 5 years in prison and \$250,000 in fines.

Orlando Police Officer Found Guilty in \$200,000 Theft of FEMA Funds

(Update 04/01/10 - 09/30/10 SAR)

We conducted a fraud investigation of an Orlando, Florida, police officer involving more than \$200,000 in embezzled FEMA funds. The DHS OIG investigation determined that a recently retired Orlando police officer and former officer-of-the-year opened personal savings and checking accounts at an Orlando Federal Credit Union, listing herself and the “Orlando Police Department Gang Resistance Education and Training” as the account holders. She subsequently opened and linked a city of Orlando grant recipient account to the original account to receive FEMA grant funds. FEMA approved a \$200,000 voucher and transferred the funds to her account, believing this was the correct account for the city of Orlando. She subsequently invested the proceeds of her crime in money market accounts and certificates of deposit. On November 17, 2010, in the Middle District of Florida, she was sentenced to 24 months incarceration and 36 months probation after being found guilty on two counts of Money Laundering of FEMA grant funds for her personal use. More than \$212,540 in misused funds embezzled and laundered by her were located and seized by DHS OIG and United States Secret Service (USSS).

FEMA Disaster Benefit Recipient Convicted of Wire Fraud

We investigated a disaster benefit recipient who filed numerous bogus FEMA damage claims following Hurricane Katrina in New Orleans. On November 5, 2009, the disaster benefit recipient of Metairie, Louisiana, was sentenced in the Western District of Louisiana for violations of Wire Fraud relating to FEMA fraudulent claims. She was sentenced to 30 months confinement and 60 months supervised release, and was ordered to pay restitution of \$71,814.

Disaster Benefit Recipient Convicted of Fraud

Our investigation determined that a resident of Belle Chasse, Louisiana, applied for \$119,935 in financial assistance for Hurricane Katrina–related damage to a house he wrongfully claimed was his primary residence. During our investigation, he admitted that he was living in Las Vegas, Nevada, at the time of Katrina.

He pleaded guilty in the Eastern District of Louisiana to one count of Making False Statements to a Federal Agency and was sentenced to 1 month confinement and 36 months probation, and was ordered to pay a \$1,500 fine and full restitution of \$119,935. DHS OIG conducted this investigation with the assistance of the Department of Housing and Urban Development (HUD) OIG and the Federal Bureau of Investigation (FBI).

FEMA and Road Home Benefit Recipient Convicted of Program Fraud

A resident of Metairie, Louisiana, pleaded guilty in the Eastern District of Louisiana to making false statements in an application with the Louisiana Road Home Program by claiming his primary residence was damaged in Hurricane Katrina. As a result of his false statement, he received \$122,396 in Road Home assistance to which he was not entitled.

On March 22, 2010, he was sentenced to 3 months probation, fined \$20,100, and ordered to make full restitution to the Louisiana Road Home program.

FEMA Contractor Pled Guilty in Ghost Employee Scheme

A FEMA contractor pled guilty in federal court in Louisiana to a charge he defrauded FEMA of \$39,729 during the aftermath of Hurricane Katrina, based on evidence developed during our investigation. The contractor worked as a staffing manager for a health service contractor to FEMA. The investigation determined that he signed timesheets in the name of another person and would obtain, and cash, each check made payable to that person. He admitted that he submitted approximately 35 fraudulent timesheets and received approximately \$39,729 during the duration of the fraud scheme.

Two Convicted of Filing False Claims in \$200,000 Fraud Scheme

Our investigation found that a married couple received a total of \$4,469 in FEMA benefits and \$200,000 in other disaster benefits after they submitted false Hurricane Katrina claims for FEMA assistance, Small Business Administration (SBA) loans, and HUD grants. The husband was sentenced in U.S. District Court for the Middle District of Louisiana to 36 months probation, fined \$1,500, and ordered to make full restitution. The wife was sentenced to 36 months probation and fined \$1,500. This was a joint investigation by our agency, the SBA OIG, and the HUD OIG.

Two Plead Guilty in \$600,000 Fraud Scheme

Our investigation uncovered a conspiracy by two individuals to steal approximately \$600,000 in government funds from elderly individuals who were waiting to receive disaster assistance benefits from FEMA Road Home grants. We found that an individual employed in the closing department of First American Title Company would alter the bank routing instructions on the Road Home grantees' closing documentation, which caused the funds to be wired into the personal bank accounts of both persons.

On January 27, 2010, in the Eastern District of Louisiana, the pair was sentenced to terms of 30 months and 18 months imprisonment, respectively, following their earlier guilty plea to one count of Conspiracy. This case was worked jointly with HUD OIG and the Social Security Administration OIG.

Man Convicted for Impersonating FEMA Disaster Relief Employee

We investigated an individual who wrongfully possessed magnetic signs and shirts bearing the DHS logo, permitting access to secure U.S. Government areas following Hurricane Katrina. He also falsely claimed to be a Captain in the U.S. Army, but was actually found to be a convicted felon on parole, and in possession of several firearms and boxes of ammunition. The individual was sentenced to 24 months confinement and 36 months supervised release in the Eastern District of Texas.



Confiscated Weapons



Fraud Props

FEMA Benefit Recipient Convicted of Program Fraud

We arrested a resident of New Orleans who fraudulently represented a property located in New Orleans as her primary residence at the time of Hurricane Katrina. The woman was convicted and subsequently sentenced to 5 months confinement and 60 months probation, and was ordered to pay restitution of \$75,949.

DHS Contractor Pleaded Guilty to FEMA Program Fraud

A DHS contractor pleaded guilty in the Eastern District of Kentucky to Conspiracy to Commit Program Fraud and agreed to pay more than \$215,000 in restitution, after our investigation following findings published in a March 2009 Kentucky State Auditor report of mishandled Chemical Stockpile Emergency Preparedness Program (CSEPP) grant money. The Kentucky State Auditors discovered that a CSEPP director

in Kentucky awarded a contract to a business partner, whom he has since married, for emergency equipment such as generators and trailers; all of which were substandard, and which totaled \$1.8 million in federal funds. In December 2009, our agents seized property valued at approximately \$84,000, which the contractor purchased with the proceeds of her fraudulent activity. She is scheduled to be sentenced in June 2011. Plea negotiations are ongoing between the United States Attorney's Office, Eastern District of Kentucky, and the procurement official.

72 Individuals Convicted for Disaster Food Stamp Program Fraud

The DHS OIG worked jointly with the State of Louisiana Attorney General's Office, USSS, and other federal agencies in an investigation that resulted in the arrest of 72 persons who were prosecuted as felony offenders in State Court by the District Attorney in Beauregard Parish, Louisiana, for fraudulent disaster assistance provided by Louisiana Disaster Food Stamp Program.

Road Home Benefit Recipient Pleaded Guilty to \$439, 000 in Fraud

Our investigators determined that a New Orleans resident defrauded FEMA, the Road Home Program, and SBA of more than \$439,000 relating to false disaster claims. She entered a guilty plea to Possession of Falsely Obtained Canadian Passport, False Statements to FEMA, Theft of Disaster Funds from the Small Business Administration, and Mail Fraud regarding Louisiana Road Home Program funds. She was sentenced in federal court to 37 months in prison. Additionally, the offender was ordered to pay full restitution in the amount of \$476,904 to the program agencies, having to forfeit her personal assets. She was also ordered to serve 3 years of supervised release following her term of imprisonment. This was a joint investigation with the SBA OIG and HUD OIG.

FEMA Disaster Benefit Recipient Sentenced for Conspiracy to Commit Fraud

We initiated a joint investigation with USSS and the United States Postal Inspection Service in Detroit resulting in the indictment of 12 Toledo-area residents who conspired to fraudulently obtain FEMA funds totaling more than \$74,000 earmarked for victims of Hurricane Katrina.

On January 24, 2011, one of the 12 co-conspirators was sentenced in the Northern District of Ohio to 2 years incarceration for Conspiracy to Steal Government Property. The subject was then ordered to pay restitution in the amount of \$54,506 and charged a special assessment fee of \$100.

FEDERAL LAW ENFORCEMENT TRAINING CENTER

MANAGEMENT REPORT

Federal Law Enforcement Training Center's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit

KPMG LLP, under contract with DHS OIG, reviewed the Federal Law Enforcement Training Center's internal control over financial reporting. The management letter discusses two observations related to internal controls for management's consideration. Internal control deficiencies were identified in the areas of management review of purchase cards and accounts payable estimation methodology. These observations, which were discussed with the appropriate members of management, are intended to improve internal controls or result in other operating efficiencies. These issues were determined to be below the level of a significant deficiency. Significant deficiencies were presented in our *Independent Auditors' Report*, dated November 12, 2010, included in the FY 2010 DHS *Annual Financial Report*.

(OIG-11-55, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-55_Mar11.pdf

OFFICE FOR CIVIL RIGHTS AND CIVIL LIBERTIES

We received 199 civil rights and civil liberties complaints from October 1, 2010, through March 31, 2011. Of those, we opened 10 investigations and referred 189 complaints to the department's Office for Civil Rights and Civil Liberties. Currently, there are no complaints under review for disposition.

PRIVACY OFFICE

MANAGEMENT REPORT

The DHS Privacy Office Implementation of the Freedom of Information Act

The Privacy Office works with DHS components to implement the *Freedom of Information Act* (FOIA). FOIA is designed to ensure that individuals can access certain federal records. President Obama issued FOIA guidance in January 2009 to promote greater transparency in government. We examined various aspects of the DHS FOIA program. We determined that the Privacy Office has helped the department implement various FOIA mandates, including the proactive disclosure of information. Our analysis also included positive conclusions about the DHS FOIA Public Liaison, who performs mediation activities between FOIA requesters and DHS agencies. We also found that, beginning in September 2009, the Office of the Secretary began to have unprecedented involvement in the review of FOIA disclosures. This new process led to inefficiencies and delays in some FOIA releases. Because of unreliable data, we could not determine the number of releases subject to the review process. We also had concerns about the scope of redactions made in a FOIA release to the Associated Press, which had requested information about the Office of the Secretary's review process. We recommended that the Privacy Officer take additional steps to improve proactive disclosure; develop more policy to assist the Public Liaison; institute a collaborative oversight process to help components; and make greater use of

existing statutory authority to advise the Secretary about FOIA program needs.

(OIG-11-67, March 2011, ISP)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-67_Mar11.pdf

TRANSPORTATION SECURITY ADMINISTRATION

MANAGEMENT REPORTS

Transportation Security Administration's Management of Its Screening Workforce Training Program Can Be Improved

The Transportation Security Administration (TSA) can improve its management of the training program for the screening workforce by developing and documenting standard processes to use officer test results to evaluate training program results, assign on-the-job training responsibilities, and evaluate workforce and training needs to ensure that officers have the tools and time necessary to complete training requirements.

TSA did not establish a lead office to organize and coordinate Security Officer training until 2006. The agency issued a management directive designating the Operational and Technical Training Division responsible for the overall management of the analysis, design, development, and implementation of Transportation Security Officer (TSO) training programs. However, the division did not assume an active leadership role until 2009 owing to its need to maintain current training levels and respond to emerging threats. Without a documented process for updating training based on screener performance data and changes in technology or equipment, TSA may be missing opportunities to enhance its TSO skills and abilities. We made four recommendations that, if implemented, will improve the agency's management of its screening workforce training program.

(OIG-11-05, October 2010, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-05_Oct10.pdf

Use of American Recovery and Reinvestment Act Funds by the Transportation Security Administration for the Electronic Baggage Screening Program

TSA allocated \$734 million of Recovery Act funds principally for the modification of airport facilities to prepare for later deployment of optimal checked baggage inspection systems. Our review determined that TSA obligated \$643 million as of June 30, 2010, and had reasonable plans to obligate the balance of funds by September 30, 2010, the date fund availability expired. Also, we concluded that TSA prudently selected airports for facility modification projects and for installation of reduced size explosive detection systems (RSEDs). In addition, we identified a need for TSA to improve controls over installation of RSEDs, allocating and charging costs to a management support contract, assigning travel costs, ensuring airport authority compliance with the *Buy American Act*, and monitoring project status. Of the seven recommendations to address these areas, TSA agreed with six and disagreed with a recommendation pertaining to allocating costs. We asked TSA to reconsider the outstanding recommendation.

(OIG-11-07, November 2010, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-07_Nov10.pdf

Ability to Communicate With Federal Air Marshals While in Mission Status

We assessed the Federal Air Marshals' ability to communicate while in mission status. Our objectives were to determine (1) whether the Federal Air Marshal Service provides Federal Air Marshals (FAMs) with timely and accurate intelligence and situational awareness information when they are preparing for or are in mission status and (2) whether TSA was pursuing communication capabilities to ensure that FAMs who are in mission status can receive and send time-sensitive, mission-related information through secure communication while in flight. We made recommendations to enhance the FAMs' ability to receive intelligence and situational awareness

information when they are preparing for or are in mission status.

(OIG-11-19, December 2010, ISP)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-19_Dec10.pdf

Transportation Security Administration's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit

KPMG LLP, under contract with DHS OIG, reviewed TSA's internal control over financial reporting. The management letter discusses 15 observations for management's consideration identified during the FY 2010 financial statement audit. These observations, which were discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies. These issues did not meet the criteria to be reported in the *Independent Auditors' Report*, dated November 12, 2010, included in the FY 2010 DHS *Annual Financial Report*.

(OIG-11-58, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-58_Mar11.pdf

INVESTIGATIONS

Transportation Security Officer and Conspirator Pleaded Guilty to Theft of Property

We conducted an investigation into allegations of baggage theft involving a TSO and an airline baggage handler at a New York airport. The TSO and a Delta Airlines baggage handler were arrested after we observed the TSO stealing a cell phone from a checked bag. The TSO pleaded guilty to theft-related charges in Queens County Supreme Court, New York. Both offenders were sentenced in May 2010 to 45 days of confinement and 60 months probation. This case was worked jointly by our agency and TSA Office of Inspection.

TSA TSO Sentenced for Making Bomb Threat at Airport

We conducted an investigation of a bomb threat at an Ohio airport in May 2009 after receiving information that the threat had been made by a TSO at the airport where he was employed. We reviewed text messages sent by a TSO that

implicated him as the person responsible for making the telephone bomb threat. When confronted with that information, he made a full confession. The TSO was sentenced to 1 year probation and 40 hours of community service in the Southern District of Ohio for Impeding a Federal Agent in the Performance of His Official Duties.

TSA Supervisory TSO and Lead TSO Pleaded Guilty to Stealing From Passenger Luggage

We conducted an investigation into theft allegations involving TSA screeners at the Newark, New Jersey, Airport. The investigation established that from October 2009 to September 2010, items totaling as much as \$30,000 were stolen from passengers as they underwent checkpoint screening. We interviewed a Supervisory TSO who admitted stealing currency from passengers' baggage and accepted kickbacks from a subordinate employee who also stole personal property.

Both TSA employees entered guilty pleas in U.S. District Court, Newark, New Jersey, to charges of Theft and were terminated from government employment. Sentencing is scheduled for May 2011.

UNITED STATES CITIZENSHIP AND IMMIGRATION SERVICES

MANAGEMENT REPORTS

Processing of Nonimmigrant Worker Petitions in Support of U.S. Marine Guam Realignment Construction Activities

In the October 2005 agreement "U.S.-Japan Alliance: Transformation and Realignment for the Future," the U.S. Government and Government of Japan agreed to realign U.S. and Japanese forces throughout the Pacific. As part of this realignment effort, the two governments agreed to relocate approximately 8,000 U.S. Marines and 9,000 dependents from Okinawa to Guam by 2014. This report is in response to an inquiry made during a meeting of the Interagency Coordination

Group of Inspectors General for Guam Realignment. The objective of our audit was to determine whether DHS, through its U.S. Citizenship and Immigration Services (USCIS), has the capability to process and adjudicate an adequate number of H-1B and H-2B temporary nonimmigrant worker visa petitions to support construction requirements associated with the Guam Realignment Project. Our review determined that USCIS has the capability to process and adjudicate all temporary nonimmigrant worker visa petitions needed to meet construction requirements in support of the Guam Realignment Project, barring any unforeseen circumstances or changes in USCIS capacity. However, we recommended that USCIS develop a memorandum of understanding establishing an information-sharing strategy with the U.S. Department of Defense Joint Guam Program Office on the number and type of petitions approved, denied, or pending to aid in their planning and management of Guam Realignment Project construction activities for the out-years. USCIS concurred with the recommendation and agreed that there is a need for a memorandum of understanding.

(OIG-11-14, November 2010, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-14_Nov10.pdf

Examining Insider Threat Risk at the U.S. Citizenship and Immigration Services

We engaged the Insider Threat Center of Carnegie Mellon's Software Engineering Institute (SEI) to conduct an insider threat assessment of USCIS. This report addressed steps USCIS has taken to protect its information technology systems and data from potential or actual threats posed by employees and contractors. While past efforts of USCIS have resulted in some improvements, SEI identified additional opportunities for USCIS to improve its security posture against threats posed by malicious insiders. The report included 18 recommendations to strengthen USCIS security posture against these threats. USCIS management concurred with the recommendations and has begun to take the actions to implement them.

(OIG-11-33, January 2011, IT-A)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-33_Jan11.pdf

***U.S. Citizenship and Immigration Services’
Management Letter for FY 2010 DHS
Consolidated Financial Statements Audit***

KPMG LLP, under contract with DHS OIG, reviewed USCIS internal control over financial reporting. The management letter discusses seven observations for management’s consideration identified during the FY 2010 financial statement audit. These observations, which were discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies. These issues did not meet the criteria to be reported in the *Independent Auditors’ Report*, dated November 12, 2010, included in the FY 2010 DHS *Annual Financial Report*.

(OIG-11-63, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-63_Mar11.pdf

INVESTIGATIONS

***USCIS Adjudication Officer and Conspirator
Pleaded Guilty to Bribery***

We conducted a joint investigation with the United States Postal Inspection Service in the Eastern District of New York concerning violations of Bribery of Public Officials and Witnesses, and Conspiracy to Commit any Offense or to Defraud the United States by a USCIS Adjudication Officer (AO) located at Garden City, New York. The USCIS AO conspired with a non-DHS employee, a hair salon owner, to provide immigration benefits to ineligible alien salon clients in exchange for cash payments and bribes. On January 16, 2008, the AO and his accomplice were arrested. Indictments followed, and the AO resigned his position on June 18, 2008. On February 25, 2009, the AO pleaded guilty to one count of Conspiracy to Commit any Offense or to Defraud the United States via receiving bribes as a public official, and he was sentenced in March 2010 to 18 months imprisonment, followed by 36 months supervised release. On November 4, 2010, his conspirator was sentenced to a term of 14 months incarceration, followed by 36 months supervised release.

Former USCIS Clerk Pleaded Guilty to Bribery

We conducted a joint investigation with the FBI in the Central District of California concerning violations of False Statements, Entries or Concealing or Covering Up a Material Fact, and Causing an Act to Be Done by a former USCIS clerk and current ICE Mission Support Specialist at Los Angeles, California, resulting in the federal arrest and subsequent guilty plea of the USCIS clerk. The investigation revealed that the USCIS clerk ordered alien “A” files on behalf of amnesty applicants who were previously denied amnesty. In February 2007, DHS OIG agents learned that the USCIS clerk was charging amnesty applicants between \$3,000 and \$4,500 to process their applications, collecting the money at the applicants’ homes. On August 17, 2010, the USCIS clerk was indicted by a federal grand jury for her illegal actions while previously employed by USCIS, and she pleaded guilty on November 9, 2010. The USCIS clerk resigned from her employment with ICE on November 11, 2010.

***District Adjudications Officer Approves
Residency Applications for Bribes***

We received an allegation that an Immigration AO approved alien applications for permanent residency without following proper procedures. When confronted with the evidence we gathered in the course of our investigation, he confessed to approving permanent residency applications in exchange for financial payment. He also admitted that he received \$10,000 in bribe payments for approving seven applications.

He was charged in the Eastern District of New York with one count of bribery and pleaded guilty. As part of his plea agreement, the officer resigned from his employment with USCIS and agreed to forfeit \$10,000 to the United States. A sentencing date is pending.

***USCIS Contract Employee Switches Identities of
Immigrants in Exchange for Cash***

We arrested a contract USCIS employee in California after he knowingly and intentionally deleted biographical information located in the records of 26 naturalized U.S. citizens in the USCIS database and replaced the data

with biographical information of 26 other aliens who were ineligible for benefits. The contract employee agreed to forfeit \$16,800 seized as illicit proceeds during a search of his residence. He also pleaded guilty to Computer Fraud, Procurement of Citizenship or Naturalization Unlawfully, and Aggravated Identity Theft. Sentencing is set for May 16, 2011.

USCIS Adjudication Officer Pleaded Guilty to Misuse of Government Computer in Connection with Accepting Bribes from Aliens

We conducted a joint investigation with the FBI in the Southern District of Texas of a USCIS AO at the USCIS Life Act Office in Houston, Texas. The AO was alleged to have accepted money from aliens to prepare their immigration benefit applications. Search and arrest warrants were executed on October 22, 2009, at his Houston residence. On December 8, 2009, he pleaded guilty via Information to one count of Misuse of Government Computer and Disclosure of Information. On March 30, 2010, he was sentenced in federal court to 6 months confinement and 36 months probation, and was ordered to pay a \$2,000 fine. On May 3, 2010, his employment with USCIS was terminated.

Southern Arizona Legal Aid Paralegal Pleaded Guilty to Mail Fraud

We conducted a joint investigation with the U.S. Department of Justice (DOJ) in Arizona into Mail Fraud that was committed against both departments by a non-DHS employee. The joint investigation determined that a paralegal for Southern Arizona Legal Aid (SALA) defrauded her employer by charging both the legal aid service provider and her clients for the same legal services.

SALA was a recipient of DOJ grant funds intended to provide legal advice without cost to individuals who were dealing with USCIS. On January 14, 2009, the individual was indicted on the mail fraud charge. She was later arrested, pleaded guilty to one count of Mail Fraud - Frauds and Swindles, and on November 12, 2009, was sentenced to 3 months in prison, 5 months of home confinement with electronic monitoring, and 36

months supervised release, and was ordered to pay \$20,914 in restitution.

Criminal Convictions and Deportation Result From Ongoing Immigration Fraud Investigation

As a part of our continuing investigations related to the case of a former USCIS Supervisory AO in which numerous aliens fraudulently obtained immigration benefits, OIG and the FBI arrested two additional civilian conspirators. One subject who had illegally obtained genuine immigration documents in exchange for cash payments pleaded guilty to Fraud and Misuse of Immigration Documents and Aiding and Abetting. The subject was sentenced on September 17, 2010, to 2 years supervised release and ordered to pay a \$3,000 fine. A second similar offender pleaded guilty to Conspiracy to Commit Immigration Fraud, Fraud and Misuse of Immigration Documents and Abetting. The subject was sentenced to 43 days time served, at which time he was deported back to his country of origin.

UNITED STATES COAST GUARD

MANAGEMENT REPORTS

United States Coast Guard's Reported Anti-Deficiency Violations for Shore Construction and Improvement Projects for Fiscal Years 2003 through 2009

In our report *Maintenance, Rehabilitation, and Upgrading of Shore Facilities in Support of United States Coast Guard Missions* (OIG-08-24), issued February 2008, we identified that USCG improperly used maintenance funds to augment and compensate for underfunded shore acquisition, construction, and improvement appropriations. Subsequent to our 2008 report, USCG changed its policy to conform with legislation, and conducted an internal review identifying 317 improvement projects as potential *Anti-Deficiency Act* violations, totaling \$131 million for fiscal years 2003 through 2007.

The objective of this audit was to determine the accuracy of USCG's reported 317 potential *Anti-Deficiency Act* violations. We examined the USCG's methodology for identifying the reportable violations, as well as the effectiveness of the USCG's new policies and procedures for compliance with statutory authorities as they apply to maintenance funds and acquisition, construction, and improvement expenditures.

We concurred with USCG's methodology used to identify the potential *Anti-Deficiency Act* violations, but identified minor discrepancies with the results. We made five recommendations to USCG, including notifying the Secretary of the 317 *Anti-Deficiency Act* violations totaling approximately \$138 million and continuing to pursue permanent legislation for appropriations for minor shore construction projects.

(OIG-11-17, December 2010, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-17_Dec10.pdf

Revisions to the Marine Safety Performance Plan and Annual Update Supplement Will Facilitate Improved Management Controls

USCG's Marine Safety program ensures the safety of tens of thousands of U.S. mariners, passengers, and recreational boaters. USCG also protects the marine environment from the introduction of harmful substances, and strengthens the economy by minimizing property loss and disruptions to maritime commerce. In response to concerns raised by Congress about whether USCG had the ability and preparedness to meet the demands of a dynamic global maritime environment, USCG developed and released its Marine Safety Performance Plan to enhance its Marine Safety program. We reviewed USCG's plan to determine whether improvements could be made and made two recommendations to improve the plan. We recommended that USCG include baseline information, performance targets, performance milestones and completion dates, and resources needed to achieve the goals and objectives. We also recommended that the goals, objectives, and courses of action be modified into quantifiable measures. USCG concurred with both recommen-

dations and will include the recommended changes in its 2012–2017 Marine Safety Performance Plan. (OIG-11-22, December 2010, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-22_Dec10.pdf

The Coast Guard's Polar Icebreaker Maintenance, Upgrade, and Acquisition Program

USCG is responsible for developing, establishing, maintaining, and operating the U.S. icebreaking fleet in the polar regions. We conducted an audit to determine USCG's need for heavy-duty icebreakers to accomplish its missions. We determined that USCG does not have a sufficient number of icebreakers to accomplish its missions in the polar regions. We recommended that USCG request budgetary authority for the operation, maintenance, and upgrade of its icebreakers; request congressional clarification to determine whether Arctic and Antarctic missions should be performed by USCG assets or contracted vessels; conduct an analysis to determine replacement or service life extensions of existing icebreakers; and request the necessary appropriations to meet mission requirements. USCG agreed with our recommendations.

(OIG-11-31, January 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-31_Jan11.pdf

U.S. Coast Guard's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit

KPMG LLP, under contract with DHS OIG, reviewed USCG's internal control over financial reporting. The management letter discusses three observations for management's consideration identified during the FY 2010 financial statement audit. These observations, which were discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies. These control deficiencies did not meet the criteria to be reported in the *Independent Auditors' Report*, dated November 12, 2010, included in the FY 2010 DHS *Annual Financial Report*.

(OIG-11-59, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-59_Mar11.pdf

INVESTIGATIONS

USCG Civilian Pleaded Guilty to Auto Insurance Fraud

We conducted an investigation of a USCG civilian employee who filed a fraudulent auto insurance claim. The employee, who abruptly resigned his position at the beginning of our investigation, eventually pleaded guilty to one felony count of Insurance Fraud under the Texas State Penal Code and was sentenced to 3 years probation and a \$300 fine. He falsely reported to GEICO Insurance that his personally owned pickup truck had been stolen after being found fully engulfed in flames.

UNITED STATES CUSTOMS AND BORDER PROTECTION

MANAGEMENT REPORTS

U.S. Customs and Border Protection's Acquisition of 25 Acres of Land in Lordsburg, New Mexico

In June 2009, CBP purchased 25 acres of land in Lordsburg, New Mexico, for \$750,000 on which to build a new Border Patrol facility. We conducted an audit to determine whether the amount CBP paid for the land was established in a manner consistent with DHS policies and procedures. We determined that CBP adhered to department policies and procedures when purchasing the land, but CBP's decision to build the facility only in Lordsburg limited the number of available properties that could be used for the facility. Although CBP negotiated a purchase price after several appraisals, the limited number of available properties weakened CBP's negotiating position when determining that price. We did not make any recommendations in the report.

(OIG-11-06, November 2010, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-06_Nov10.pdf

Customs and Border Protection's Implementation of the Western Hemisphere Travel Initiative at Land Ports of Entry

CBP can better prepare itself to enforce the new document requirement of the Western Hemisphere Travel Initiative (WHTI) at land ports of entry. Although CBP has acquired and

deployed substantial technological tools to aid in inspecting travelers, the agency has not analyzed the impact that a substantial increase in secondary inspection workload will have on secondary inspection staffing and infrastructure during full enforcement. The WHTI compliance rates during the initial 8-month informed compliance period indicate that noncompliant travelers arriving at CBP's 39 busiest land ports may increase the secondary inspection workloads at these ports by an average of 73% if all noncompliant travelers require secondary inspections. CBP has not developed a strategy to facilitate the inspection of WHTI-noncompliant travelers for those ports whose current staffing levels and infrastructure make it operationally unfeasible to process all WHTI-noncompliant travelers. Also, CBP has not finalized the operating procedures its officers will use to process noncompliant travelers, including the procedures officers are to use to verify a noncompliant traveler's identity and citizenship. Nor has CBP established a firm target date for moving from informed compliance to full enforcement of the WHTI land document requirement. Until the new travel document requirement is fully enforced, CBP continues to incur risk that officers may erroneously grant admission to persons falsely claiming to be citizens of the United States, Canada, or Bermuda. We made four recommendations to better prepare the agency to fully implement the WHTI's new documentation requirement at land ports of entry.

(OIG-11-16, November 2010, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-16_Nov10.pdf

Improvements Needed in the Process to Certify Carriers for the Free and Secure Trade Program

The Free and Secure Trade (FAST) program provides expedited processing of low-risk shipments entering the United States from Canada and Mexico. Carriers and drivers must fulfill certain eligibility requirements qualifying them as low risk to participate in the FAST program. Improvements are needed in CBP's initial enrollment process for carriers to ensure that only low-risk carriers are allowed to participate. Some highway carriers that did not meet all Custom-Trade Partnership Against Terrorism's

(C-TPAT) minimum security requirements have been certified to receive FAST program benefits. Supervisors did not review all supply chain security specialists' certification decisions to determine carrier eligibility. Also, the CBP Vetting Center and C-TPAT supply chain security specialists did not always follow established procedures when determining the initial eligibility of highway carriers. In some instances, the supply chain security specialist did not verify the accuracy of the law enforcement vetting information provided by the CBP Vetting Center. In other instances, the supply chain security specialist did not receive law enforcement vetting information from the Vetting Center to verify. These instances occurred owing to limited resources and interpretation of carrier vetting policy. As a result, the initial enrollment process for carriers is vulnerable to high-risk carriers being certified and allowed to participate in the FAST program. However, CBP's initial enrollment process for FAST drivers generally ensures that only low-risk drivers participate in the FAST program. We made two recommendations to improve CBP's initial enrollment process for carriers, which will lessen the FAST program's vulnerability to ineligible carriers.

(OIG-11-25, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-25_Mar11.pdf

U.S. Customs and Border Protection's Ground Transportation of Detainees

CBP's Transportation Program Management Office has not developed an effective plan to provide efficient and cost-effective ground transportation for detainees. The office has not developed a comprehensive approach for identifying and evaluating current transportation uses and therefore has been unable to develop a model to predict future transportation requirements. CBP has not clearly defined the scope and authority of the Transportation Program Management Office or provided sufficient management and oversight of the office to ensure that it accomplished its mission. As a result, the agency is ill prepared to make a long-term decision for transportation services when the existing transportation contract expires in August 2011. We made two recommendations to improve CBP's efforts in identifying and implementing

comprehensive ground transportation solutions.

CBP concurred with both recommendations.

(OIG-11-27, January 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-27_Jan11.pdf

U.S. Customs and Border Protection's Oversight of the Permit to Transfer Process for Cargo Containers

The Coast Guard and Maritime Transportation Act of 2004 requires the DHS OIG to conduct an annual review of the DHS' current targeting system for international intermodal cargo containers. This year, we focused our efforts on determining whether CBP's permit to transfer (PTT) process has effective controls in place to ensure that CBP secures and inspects all identified high-risk containers. We determined that CBP does not have a centralized PTT process. Each of the six ports we visited processed PTTs differently, using varying methods to mitigate risks. Our audit tests did not identify significant deficiencies in the PTT processes at the ports we reviewed.

(OIG-11-28, January 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-28_Jan11.pdf

Planning and Funding Issues Hindered CBP's Implementation of the System Availability Project

On August 11, 2007, a network outage occurred at Los Angeles International Airport that interrupted passenger processing by CBP employees for 10 hours. The outage was caused by the failure of a network card on one of the workstations. We reviewed the circumstances surrounding this outage, and in May 2008 reported that there is a high risk of similar outages at other CBP sites. Our objective was to determine whether CBP has effectively designed and implemented a plan to reduce the risk of network outages at other field sites. CBP has taken steps to improve network capabilities and reduce network downtime at some field sites. Specifically, it initiated the System Availability project by awarding a task order for information technology services. In addition, it worked with business sponsors to develop operational requirements to ensure that systems capabilities are maintained. It also deployed survey teams to conduct site surveys at each field site. However, CBP did not properly plan and

implement the System Availability project. It did not ensure that adequate funding was available, include all at-risk sites, or develop planning documents needed to justify project requirements and cost. CBP ran out of funding and ended the project in February 2010. As a result, hundreds of field sites did not receive the needed upgrades and remain vulnerable to network outages. We recommended that the CBP Chief Information Officer reassess the original objectives of the System Availability project and develop a new program according to DHS and CBP policies and procedures to upgrade the network at all remaining at-risk sites.

(OIG-11-42, February 2011, IT-A)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-42_Feb11.pdf

Customs and Border Protection Needs to Improve Its Inspection Procedures for the Western Hemisphere Travel Initiative

WHTI established new documentation requirements for citizens of the United States, Canada, Mexico, and Bermuda entering the United States from within the Western Hemisphere. Our audit objective was to determine whether CBP's implementation of this requirement has improved the agency's ability to identify individuals who misrepresent their identities and prevent their entry into the United States at air ports of entry. Generally, CBP has successfully implemented the WHTI in the air environment, reporting high compliance rates among air passengers. The new documentation requirements have improved CBP officers' ability to validate the identity and citizenship of compliant air passengers, allowing officers to spend more time inspecting travelers without passports. However, there is inadequate assurance that CBP officers "verified" the identity and citizenship of all individuals who failed to provide a passport or other WHTI-compliant documentation. CBP did not always document the basis for its decisions to admit air passengers who were noncompliant with the new document requirements. Also, CBP officers did not always follow CBP's policy for referring all such noncompliant passengers to a secondary inspection area for a more thorough review. We made four recommendations to improve the agency's implementation of

WHTI's new documentation requirements.

(OIG-11-43, February 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-43_Feb11.pdf

CBP's Efficacy of Controls Over Drug Seizures

CBP is responsible for securing the homeland by preventing the illegal entry of people and goods, including illegal drugs. Our audit objective was to determine the efficacy of CBP's controls for receipting and recording, transporting, storing, and disposing of seized drugs.

Although CBP has policies and procedures in place, field personnel did not always receipt and record, transport, store, or dispose of seized drugs according to established policies and procedures, and in some cases circumvented established guidance by using unofficial and expired waivers. We attributed these conditions to insufficient oversight, communication, and staffing throughout key stages of the seizure process.

CBP has initiated corrective actions to address some of the deficiencies we identified. Based on the results of our audit, we made four recommendations intended to increase the effectiveness of the CBP controls over seized drugs. CBP concurred with all our recommendations.

(OIG-11-57, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-57_Mar11.pdf

Management Letter for U.S. Customs and Border Protection's FY 2010 Consolidated Financial Statements

KPMG LLP, under contract with DHS OIG, reviewed CBP's internal control over financial reporting. The management letter discusses 17 observations for management's consideration identified during CBP's FY 2010 consolidated financial statements audit. These observations, which were discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies. These issues were determined to be below the level of a significant deficiency. Significant deficiencies were presented in our *Independent Auditors' Report*, dated January 25, 2011.

(OIG-11-65, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-65_Mar11.pdf

INVESTIGATIONS

CBP Officer Smuggled Aliens in Exchange for Sexual Favors

A former CBP Officer in Texas was sentenced to 30 months incarceration after his conviction on federal charges related to Smuggling and Bribery. The investigation revealed that the CBP Officer allowed a female smuggler to transport undocumented aliens across the border through his assigned vehicle inspection lane at the Port of Entry (POE) in exchange for sexual favors. The individual had been employed with CBP for 11 years. He resigned from his position subsequent to his arrest. The female was arrested and charged with possession of narcotics with intent to distribute, and was sentenced to a term of incarceration of 5 years.

CBP Officer Pleaded Guilty to Bribery and Alien Smuggling

We arrested a CBP Officer after we uncovered evidence that he accepted bribes to allow undocumented aliens to be smuggled into the United States through his primary inspection lane at the San Luis, Arizona POE. The officer later pleaded guilty in U.S. District Court to violations relating to one count of Alien Smuggling and one count of Bribery. On January 21, 2010, he was sentenced to a term of 37 months of incarceration, followed by 36 months of supervised release, and he was ordered to pay a \$4,000 fine and \$5,100 in restitution. His four conspirators were also arrested by DHS OIG and the FBI after our multiyear investigation revealed that they paid bribes to the officer to smuggle aliens through his lane.

CBP Officer Sentenced to More Than 9 Years in Cocaine Trafficking Enterprise

A CBP Officer assigned to a POE in west Texas was sentenced to 110 months in federal prison after pleading guilty in June 2010 to Conspiracy to Possess and Distribute Cocaine (greater than 5 kilograms) and Bribery. Additionally, he was ordered to serve 3 years supervised release

following his incarceration, forfeit \$100,000 in cash pending the forfeiture of his residence, and pay a \$200 assessment fee. In January 2011, the estranged wife of the CBP Officer, a non-DHS employee, failed to appear before a Federal District Court Judge in the Western District of Texas for sentencing. She previously pleaded guilty to one count of Conspiracy to Possess and Distribute Cocaine (greater than 5 kilograms) and one count of Bribery. The female was out on bond and had been cooperating in the investigation and currently remains a wanted person. This case was worked jointly between our agency and the FBI West Texas Border Corruption Task Force and Drug Enforcement Administration.

Teacher Convicted of False Statements Against a Border Patrol Agent and Email Threats

We arrested a San Antonio, Texas–area high school teacher who concealed his identity and used masking techniques on the Internet while making a false allegation of child molestation and sexual assault against a Border Patrol Agent (BPA). As the investigation progressed, the individual made numerous death threats via email to various individuals, including a campus police officer and a DHS OIG Special Agent. A federal Grand Jury indictment charged the individual with 10 counts of Interstate Communication of a Threat, and five counts of False Statements. Following a 2-week jury trial, he was found guilty on all counts and on December 17, 2009, in the Western District of Texas, was sentenced to 180 months incarceration and 36 months supervised release, and ordered to pay a \$1,500 fine.

CBP Officer Convicted of Making False Statements After Releasing Law Enforcement Sensitive Information

We conducted a joint investigation with the FBI in which we arrested a CBP Officer working at Houston International Airport, Houston, Texas, for providing information from a law enforcement database to an individual under investigation by the Joint Terrorism Task Force for mortgage fraud and other crimes. The CBP Officer assisted his associate by conducting queries in government databases for the names of the associate's friends and family who served as partners in fraudulent mortgage schemes. CBP terminated the officer's

employment, and on October 13, 2009, he was sentenced to 36 months probation and ordered to pay a \$3,000 fine after a guilty plea to making false statements.

Conspirator of Corrupt Customs and Border Protection Officer Convicted of Narcotics Smuggling

On March 23, 2010, a non-DHS employee who conspired with a corrupt CBP Officer was sentenced to 60 months incarceration and ordered to pay a \$2,500 fine in the U.S. District Court, El Paso, Texas. The civilian had been indicted by a federal grand jury for Conspiracy to Import a Controlled Substance after our investigation disclosed that the individual smuggled several drug-laden vehicles through the Paso Del Norte POE, El Paso, Texas, with the assistance of a former CBP Officer. The former CBP Officer is currently serving a 120-month sentence in federal custody for accepting bribes to allow safe passage of narcotics through the Paso Del Norte POE.



Smuggled Marijuana

CBP Officer Pleaded Guilty to Bribery and Smuggling Aliens and Narcotics

We investigated an allegation that a CBP Officer accepted bribes to allow vehicles to cross through his primary inspection lane at the Gateway International Bridge in Brownsville, Texas, without inspection. After we arrested the officer, he admitted that he accepted \$500 to allow undocumented aliens, and up to \$8,000 for cocaine shipments, to pass through his checkpoint and enter the United States. He began his corrupt

activity in the summer of 2007. On March 31, 2010, following his guilty plea to charges of Bribery, Cocaine Trafficking, and Smuggling of Undocumented Aliens, the officer was sentenced in U.S. District Court to 140 months in prison, followed by 60 months supervised release, and was ordered to forfeit \$134,000, his estimated illegal proceeds from his smuggling activity.

Three DHS Law Enforcement Officers, Two Members of the Public Convicted of Government Credit Card Fraud

An ICE Special Agent and two CBP Officers, all of Tucson, Arizona, were convicted of defrauding the U.S. Government and stealing U.S. Government property after misusing government fleet credit cards. Our investigation revealed that the three DHS employees conspired with two employees of a local car repair garage to create fraudulent invoices totaling over \$55,479, which was then shared by the conspirators. The two garage employees have also entered guilty pleas. In the scheme, the garage received large markups and increased business in exchange for gifts of cash and merchandise to the DHS employees.

On March 12, 2010, in the District of Arizona, one of the CBP Officers was sentenced to 12 months of home confinement and 36 months of supervised release, and was ordered to pay \$37,525 restitution. The ICE Special Agent was sentenced to 60 months probation and \$6,613 restitution, and the other CBP Officer was sentenced to 60 months probation and ordered to pay \$6,531 restitution.

CBP Officer Pleaded Guilty to Child Pornography Violations

(Update 04/01/10–09/30/10 SAR)

We received an allegation that a CBP Officer, Port Huron, Michigan, used the Internet to engage in sexually explicit conversations with juvenile females and viewed child pornography on his personal laptop computer. The officer was the subject of a police report filed with the Port Huron Police Department, alleging that pornographic images were found on his laptop computer. The OIG interviewed him and obtained a confession. The officer admitted to being addicted to pornography and to visiting child pornographic websites on

a regular basis. He consented to a search of his laptop computer, which was turned over to the USSS for forensic testing. More than 40 images previously identified as sexually explicit child pornography by the National Association for Missing and Exploited Children were recovered. On August 31, 2010, the officer pleaded guilty in Federal Court, Eastern District of Michigan, for violations of Possession of Child Pornography.

Three Pleaded Guilty to Bribery and Narcotics Smuggling Charges

A CBP Officer at the Douglas, Arizona, POE reported to DHS OIG that he was offered \$60,000 by his cousin to cross a load of marijuana through his primary inspection lane. An investigation by our office, in concert with the FBI Public Corruption Task Force at Tucson, Arizona, resulted in the January 29, 2009, arrests of three individuals (non-DHS employees), including the leader of the smuggling conspiracy. On December 4, 2009, the ringleader was sentenced to 78 months in prison following his plea in federal court, Tucson, Arizona, to violations of Bribery and Conspiracy to Possess with the Intent to Distribute Marijuana. The other two offenders were previously sentenced in federal court to incarceration of 48 months and 37 months, respectively, on the same charges.

Three U.S. Virgin Islands Airport Employees Pleaded Guilty to Alien Smuggling

We arrested airport employees who worked at Cyril E. King International Airport, St. Thomas, U.S. Virgin Islands, and used their airline employment positions to sell passage on commercial aircraft to illegal aliens. They assisted the aliens around the customs and immigration checkpoint to directly board Delta Air Lines flights bound for the continental United States. Two former Delta Air Lines reservation agents along with an airport baggage handler pleaded guilty in District Court, U.S. Virgin Islands, to violations of Transportation of Illegal Aliens for Profit, and Conspiracy to Smuggle Aliens. On December 16, 2009, all three defendants were sentenced to 10 months confinement and 36 months probation, and were each ordered to make restitution in the amount of \$16,000.

CBP Officer Convicted of Possession of Child Pornography and Sexual Exploitation of a Minor

North Dakota state investigators executed a search warrant on the residence of a CBP Officer employed at the Dunseith, North Dakota, POE and seized two computers. The computers later produced digital photos of the officer and a female minor engaged in sexual acts at the officer's residence. When the victim was interviewed and shown the pictures from the computer, she disclosed she had been involved in a sexual relationship with the officer, which resulted in his arrest on state charges. The case was initiated because the officer was the subject of a restraining order pertaining to inappropriate contact with the minor female child. We joined the investigation, which led to federal charges being filed. The officer was later arrested by DHS OIG and subsequently found guilty in federal court of violations of Sexual Exploitation of a Minor and Possession of Child Pornography. On November 23, 2009, in U.S. District Court, Minot, North Dakota, the officer was sentenced to 180 months incarceration.

BPA Pleaded Guilty to Bribery Charges for Selling Law Enforcement Sensitive Information (Update 04/01/10–09/30/10 SAR)

A BPA working at the Sonoita, Arizona, Border Patrol (BP) Station was observed acting suspiciously as he asked others about the technology used to interdict smugglers. We opened an investigation and, working with the FBI, developed evidence that the BPA had sold to a purported drug trafficker sensor maps, trail maps, landmarks, and terminology used by the BP to combat smuggling. Evidence showed that on at least four separate occasions, the agent accepted bribes totaling more than \$5,000. On August 12, 2010, the agent pleaded guilty in federal court to one count of Public Official Accepting a Bribe.

Armed Carjacker Fleeing to Canada Assaults CBP Officer

We conducted a joint investigation involving a non-DHS employee who, on April 7, 2009, committed an armed carjacking of an elderly couple in Detroit, Michigan, and attempted to flee the United States into Canada via the Detroit Ambassador Bridge POE. The offender disregarded orders to stop from CBP Officers,

nearly striking one of them with his vehicle. The CBP Officer, fearing for his safety, fired one round from his duty weapon, which resulted in no injuries. The subject was apprehended by Canadian authorities after fleeing the United States, and a handgun was recovered. He was promptly deported to the United States into the custody of the DHS OIG. This was a joint investigation with the OIG; Detroit Police Department; Windsor, Canada Police Department; and U.S. Attorney's Office.

On December 1, 2009, the defendant was sentenced in U.S. District Court, Eastern District of Michigan, to 360 months incarceration for committing the following crimes: Carjacking; Use of Firearm During Crime of Violence; High Speed Flight from an Immigration Check Point; Assault, Resisting, or Impeding Certain Officers; and Felon in Possession of Firearm.

CBP Officer Misused U.S. Government Computer Systems

We opened a criminal investigation after receiving information that a CBP Officer assigned to Field Operations in Tucson, Arizona, misused his official position by making unauthorized use of law enforcement and other government databases to obtain information about a person associated with a civil case in which he was the plaintiff. He obtained the data by falsely reporting that the person associated with his civil case was the subject of a CBP investigation. As a result of our investigation, the officer was charged with three counts of misdemeanor Misuse of Government Computers. The officer pleaded guilty and on February 1, 2010, was sentenced in the U.S. District Court of Arizona to 3 years of probation and a fine of \$3,000. CBP terminated his employment.

CBP Officer Pleaded Guilty to Defrauding the U.S. Department of Housing and Urban Development

A CBP Officer submitted false certifications to HUD in order to receive special financing and a 50% reduction in the fair market value of a home offered to law enforcement officers through

the government's "Good Neighbor Next Door" program.

On March 30, 2010, the officer pled guilty in U.S. District Court, Houston, Texas, to Making a False Statement and was sentenced to a period of probation and restitution of \$30,676. As part of her plea agreement, the officer resigned from her CBP position.

BPA Intern Convicted of Possessing and Distributing Child Pornography

In a joint investigation with ICE, our agents arrested a BPA (Intern) and executed a search warrant on his California residence, based on information from the ICE Child Exploitation Unit regarding an email Internet protocol address being used to distribute child pornography. On November 10, 2010, the agent intern was sentenced in the U.S. District Court, Southern District of California, to a term of 72 months followed by 10 years supervised release for violations of Receipt of Images of Minors Engaged in Sexually Explicit Conduct. Prior to sentencing, he resigned from the BP.

CBP Technician and Conspirator Plead Guilty to Theft of Astronaut's Customs Declaration Form

We conducted an investigation that led to a CBP technician in Boston, Massachusetts, and a non-DHS conspirator being charged with the theft of National Aeronautics and Space Administration astronaut Neil Armstrong's customs declaration form, which was collected by CBP upon his arrival at Logan International Airport, Boston, in March 2010. The CBP technician stole the form and attempted to sell it on an auction collectibles website through his partner's business contacts. On December 2, 2010, in the District of Massachusetts, he and the second offender entered guilty pleas to a one count information charging each with Theft of U.S. Government Property.

BPA Makes False Statements to Obtain Transfer

In November 2010, a BPA working in North Dakota called his supervisor to report that a suspicious vehicle was following him while he was driving along the roadway. After being ordered

by his supervisor to return to his post of duty, the BPA reported that he had been pulled over by two unknown men and one of them allegedly showed him a video of his wife and daughter and threatened to harm them. The FBI was notified and they placed the BPA and his family into protective custody. After an investigation by our agency and the FBI was initiated, the BPA admitted he had made up the story in an effort to get relocated to the southern border. In March 2011, the BPA pleaded guilty to making false statements. He is awaiting sentencing.

UNITED STATES IMMIGRATION AND CUSTOMS ENFORCEMENT

MANAGEMENT REPORTS

U.S. Immigration and Customs Enforcement Identification of Criminal Aliens in Federal and State Custody Eligible for Removal from the United States

The Immigration and Customs Enforcement Criminal Alien Program (CAP) is responsible for identifying criminal aliens incarcerated in federal, state, and local prisons and jails who are eligible for removal from the United States. We concluded that the CAP was successful in screening and identifying 99% of the criminal aliens eligible for removal from the United States in federal custody during FY 2009. However, identification rates in two of the four states reviewed were not as high. Specifically, the CAP did not identify approximately 4% of removable criminal aliens in California and 2% in Texas. We also determined that the CAP did not always record and retain critical information and documentation for its screening and identification activities. We recommended that the Executive Associate Director for Enforcement and Removal Operations conduct a workload analysis of CAP to determine whether the current allocation of immigration enforcement agents is sufficient to meet future CAP mission requirements; require that all screenings and identifications of foreign-

born individuals incarcerated in federal, state, and local correctional facilities be documented and recorded in the Enforcement Case Tracking System (ENFORCE); and develop and implement quality assurance procedures to ensure that all screenings and identifications of foreign-born individuals incarcerated in federal, state, and local correctional facilities are documented and recorded in ENFORCE according to agency policies and procedures.

(OIG-11-26, January 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-26_Jan11.pdf

Management of Mental Health Cases in Immigration Detention

Aliens in ICE custody must be provided with appropriate medical treatment and care. Within Enforcement and Removal Operations, the ICE Health Service Corp (IHSC) serves as ICE's medical authority and oversees, provides, and arranges for detained aliens' medical care, including mental health care. However, IHSC maintains limited oversight and monitoring for mental health cases across immigration detention centers. As a result, ICE is not fully aware of all detainees with mental health conditions, or the level of care being provided.

We noted that IHSC has experienced persistent vacancies in mental health positions, and facilities were not always equipped to support the needs of detainees with mental illness. ICE needs to (1) establish a staffing plan that aligns staffing with the facilities' mental health caseload; (2) make appropriate space available to provide needed treatment; (3) develop a classification system for facilities to determine the level of care that can be provided; (4) make timely requests for mental health information; (5) clarify decision making authorities for detainee transfer decisions; (6) establish protocols for handling mental health information; (7) release guidance on custodians; and (8) develop field guidance for using specialty facilities. We made 20 recommendations to improve the management of mental health cases. (OIG-11-62, March 2011, ISP)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-62_Mar11.pdf

U.S. Immigration and Customs Enforcement's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit

KPMG LLP, under contract with DHS OIG, reviewed ICE's internal control over financial reporting. The management letter discusses 13 observations for management's consideration identified during the FY 2010 financial statement audit. These observations, which were discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies. These issues did not meet the criteria to be reported in the *Independent Auditors' Report*, dated November 12, 2010, included in the FY 2010 DHS *Annual Financial Report*.

(OIG-11-64, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-64_Mar11.pdf

INVESTIGATIONS

ICE Detention Officer Uses Stolen Admissions Stamp in Visa Fraud Scheme

We investigated an ICE Detention and Removal Officer who conspired with the owner/general manager of a chain of three Chicago-area restaurants to receive cash payments from foreign national restaurant employees in exchange for placing a forged endorsement on their I-94 Admission form. The offender was a former CBP Supervisory Officer who retained an authentic CBP Admission stamp when he left CBP for ICE. The restaurant owner, a citizen of Brazil, arranged for other Brazilians to travel to the United States on B-2 Tourist Visas so he could hire them illegally to work as managers, waiters, and butchers. We identified 35 aliens, who paid \$1,000 to \$2,000 for each stamp, as being part of this scheme.

The Detention and Removal Officer was indicted and pleaded guilty in U.S. District Court to one count of Conspiracy to Defraud the United States; three counts of Bribery of a Public Official; and three counts of Fraud and Misuse of Visa, Permits, and Other Documents. He resigned from his position with Detention and Removal Operations (DRO) in August 2010. The restaurant owner has fled the United States and is currently a fugitive.

Contract Detention Officer Pleaded Guilty to Sexual Abuse of a Ward

A Detention Officer, contracted by ICE in a Louisiana facility for immigration detainees, pleaded guilty to the Sexual Abuse of a Ward or Minor. Our investigation was initiated upon the receipt of an allegation filed by an alien detainee. OIG confirmed through our investigation that the officer had sexual contact with the adult detainee being held at a correctional facility in Louisiana. The investigation determined that the officer had been employed at the facility since 2009. The DOJ Civil Rights and Civil Liberties Criminal Division, Washington, DC, and the United States Attorney's Office, Western District of Louisiana, jointly prosecuted the case. Sentencing is pending.

ICE Immigration Enforcement Agent and Two Conspirators Pleaded Guilty to Smuggling Narcotics

(Update 04/01/10–09/30/10 SAR)

We conducted a joint investigation with ICE in New York after receiving information that an Immigration Enforcement Agent (IEA), ICE, DRO, was conspiring to distribute cocaine. Our investigative efforts resulted in the September 11, 2009, arrest of the agent and two conspirators. In June 2010, the three offenders appeared in U.S. District Court, District of New Jersey, at which time each individual pleaded guilty to one count of violation of the *Controlled Substances Act*. The agent resigned from his position at ICE.

ICE Special Agent Pleaded Guilty to Bribery of a Public Official

(Update 04/01/10–09/30/10 SAR)

We conducted a joint undercover investigation with ICE, Office of Professional Responsibility, in the Southern District of Florida concerning violations of Bribery of Public Officials and Witnesses, resulting in the arrest of an ICE Special Agent. Our investigation documented kickbacks received from confidential funds paid to agency informants, and found that the agent disclosed information to criminal subjects to help them avoid capture by law enforcement. In April 2009, he pleaded guilty to, and was convicted of, one count of Bribery of Public Officials and Witnesses. He was sentenced on July 23, 2010, to a 24-month term of confine-

ment. ICE terminated his employment as a result of his conviction.

DHS Security Guard Contractors Pleaded Guilty to False Statements

We conducted a joint civil and criminal contract fraud investigation with the FBI and the DOJ's Civil Division in Washington, DC, into DHS contract vendors Blackhawk Security, Inc., and DB Training Services. Blackhawk Security, Inc., provided armed security guards at several federal buildings in Washington, DC, including DHS headquarters, and DB Training Services provided American Red Cross–approved training in first aid and cardiopulmonary resuscitation to Blackhawk guards. The investigation revealed that an official of DB Training failed to provide adequate training to guard staff, but certified that the training had been accomplished. The Blackhawk official later billed the government for the nonexistent training. The two defendants each pleaded guilty to one felony count of Making a False, Fictitious, or Fraudulent Statement.

Mission Support Specialist Pleaded Guilty to Steering Government Contracts

We investigated an ICE Field Office Mission Support Specialist and Contracting Officer, New York, New York. During the execution of his official duties, he was responsible for authorizing the ICE DRO's Field Office to enter into various contracts with vendors, such as a courier service. We determined that he steered contracts to companies that he and his wife owned. As part of his plea agreement, he agreed to forfeit cash and property valued at \$200,000, which he obtained from the fraud. Additionally, on January 14, 2011, he was sentenced to 6 months imprisonment, followed by 24 months supervised release, and was ordered to pay a \$5,000 fine.

Immigration Enforcement Agent Sentenced for Smuggling Contraband Into Jail

We investigated allegations with the Bi-State Narcotics Task Force in Texas that an ICE IEA introduced contraband cigarettes into a local jail. As a result of the investigation, the IEA pleaded guilty to possession of a controlled substance. The IEA received a 60-day sentence in the Arkansas Department of Community Corrections, plus 5

years probation for his crime. The IEA resigned his position with ICE.

ICE Special Agent Pleaded Guilty to Illegal Importation of Steroids
(Update 10/1/2010–3/31/2011)

We conducted an investigation into allegations that an ICE Special Agent imported steroids into the United States from China. On June 22, 2010, as a result of our investigation, the agent pleaded guilty to one count of Importation of Controlled Substances, was sentenced to probation, and was fined. The agent was separated from service with the government.

ICE Official Impersonator and Conspirators Pleaded Guilty in Immigration Fraud Scheme
(Update 04/01/10–09/30/10 SAR)

We conducted a joint investigation with the Montgomery County, Maryland, Police Department and ICE after we received information that a group of individuals posing as federal immigration officials were extorting large sums of money, ranging from \$6,000 to \$30,000, in exchange for purportedly being able to provide authentic immigration documents and U.S. citizenship to illegal immigrants. We determined that a non-DHS employee posed as an ICE agent and dressed in an ICE-type uniform as part of the scheme to defraud aliens. Two female accomplices were identified in this investigation.

On April 28, 2010, the individual and his two accomplices were arrested. The individual appeared in the Circuit Court of Montgomery County, Maryland, and pleaded guilty to five counts of Felony Theft, one count of Participation in a Felony Theft Scheme, and one count of Conspiracy to Commit Theft. On November 1, 2010, he was sentenced to 840 months incarceration with all but 120 months suspended in connection with his July 7, 2010, plea of guilty. He also pleaded guilty to federal charges in the U.S. District Court, Greenbelt, Maryland, of Transportation of Money Obtained by Fraud, Conspiracy to Impersonate an ICE Officer, and Felon in Possession of Ammunition. On January 10, 2011, he was sentenced to a term of 60 months to run consecutively to the state of Maryland sentence.

The first accomplice pleaded guilty to one count of Felony Theft and one count of Practicing Medicine Without a License. She was sentenced to 120 months incarceration with the Maryland Department of Corrections, with 60 months suspended. On January 12, 2011, the second accomplice appeared in the Circuit Court of Montgomery County, Maryland, and pleaded guilty to one count of Participation in Felony Theft Scheme.



ICE Uniforms



Seized Guns

Former New Orleans Police Officer Pleaded Guilty to Misprision of Felony

On March 11, 2010, an ICE Special Agent, Phoenix, Arizona, was indicted and pleaded guilty to one count of Misprision of Felony after failing to report shootings that occurred in New Orleans, Louisiana, after Hurricane Katrina, while he was employed as a New Orleans Police Officer. He ultimately cooperated with federal prosecutors as they probed the fatal shootings of two persons and the nonfatal shootings of four unarmed persons by New Orleans Police Officers. After the shootings, the officers covered up their actions. The agent was terminated from employment with ICE and sentenced to a term of 36 months imprisonment.

Two Plead Guilty in Marriage Fraud Scheme

We investigated an allegation that a non-DHS employee was paid \$24,000 in exchange for his assistance in arranging a marriage to gain legal immigration status for a foreign national. Following a meeting in which the marriage deal was brokered, the broker and the female conspirator were arrested and subsequently indicted for Conspiracy to Commit Marriage Fraud. Each pleaded guilty. The broker was sentenced to 3 years of probation, 120 days home confinement, and 50 hours of community service. The co-conspirator was sentenced to 1 year of probation, 120 days home confinement, and 50 hours of community service. The \$24,000 was recovered and it was determined that no DHS employee was actually participating in the marriage fraud scheme, as had been alleged.

Spouse of Deportation Officer Pleaded Guilty to Possession of Marijuana

We received an allegation of suspected drug use by an ICE Deportation Officer after photos were posted on the Facebook page of the officer and spouse showing that marijuana was present. In September 2010, we commenced a joint investigation with the Downriver Area Narcotics Organization, the Riverview Police Department, and the Michigan State Police. We executed a federal search warrant at the residence of the ICE Officer in Detroit. During the execution of the search warrant, a quantity of marijuana was recovered. The spouse claimed ownership of the

drugs, pleaded guilty to possession of marijuana, and was sentenced to 6 months probation, 7 days community service, and ordered to pay an \$800 fine. No charges were filed against the officer, and no administrative actions have been initiated.

ICE Contract Security Guard Pleads Guilty to Smuggling Drugs Into a Detention Center

We investigated an allegation that a contract guard at an ICE Detention Center was smuggling drugs into the facility for the detainees. During our investigation, we obtained a confession from the guard, who admitted to receiving monetary payments from detainees for smuggling crystal methamphetamine, cocaine, ecstasy, and marijuana into the detention center. The guard also admitted to using cocaine with the detainees while on duty. The guard pleaded guilty to distribution of cocaine and is awaiting sentencing.

UNITED STATES SECRET SERVICE

MANAGEMENT REPORTS

United States Secret Service's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit

KPMG LLP, under contract with DHS OIG, reviewed USSS internal controls over financial reporting. The management letter discusses one observation related to internal controls for management's consideration identified during the FY 2010 financial statements audit. This observation, which was discussed with the appropriate members of management, is intended to improve internal control or result in other operating efficiencies. This issue did not meet the criteria to be reported in the *Independent Auditors' Report*, dated November 12, 2010, included in the FY 2010 DHS *Annual Financial Report*. (OIG-11-54, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-54_Mar11.pdf

United States Secret Service's Information Technology Modernization Effort

We assessed the Secret Service's Information Integration and Transformation Program. USSS has made progress in implementing its modernization program, but faces challenges to reach its stated objectives. Although it has an Information Technology Strategic Plan, it did not update the plan to guide its modernization program, address its system weaknesses, or integrate with DHS' technology direction. USSS also did not sufficiently report and track system weaknesses because of limited staff. With insufficient staff, the initial modernization program schedule was not realistic. USSS is addressing these issues by obtaining additional staff and adjusting its program schedule.

USSS has implemented a communication approach and an internal governance approach for the modernization program. However, it did not implement a formal department-level investment governance mechanism to provide integrated feedback and direction for the transformation program effort. To address this challenge, it created an Executive Steering Committee with members from USSS and the department. USSS can further improve its modernization approach by strengthening its Chief Information Officer's information technology investment authority. We made three recommendations to (1) develop an information technology staffing plan; (2) formalize the Executive Steering Committee; and (3) provide its Chief Information Officer with agency-wide information technology budget and investment review authority. All three recommendations remain open.

(OIG-11-56, March 2011, IT-A)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-56_Mar11.pdf

MULTIPLE COMPONENTS

MANAGEMENT REPORTS

Information Sharing With Fusion Centers Has Improved, but Information System Challenges Remain

We reviewed the department's approach to information sharing with state and local fusion centers. Our objectives were to determine (1) the effectiveness of DHS' strategy, processes, and activities for facilitating information sharing with fusion centers; and (2) the extent to which information technology systems support information sharing between the department and these centers. DHS has made progress in its efforts to improve information sharing with fusion centers. Fusion center personnel indicated that information sharing had improved over time and the information received from the department met their needs, primarily thanks to the deployment of DHS intelligence officers to the centers. As a result of improved information sharing, fusion centers have successfully collaborated with the department during numerous large-scale events and maintained situational awareness after attempted terrorist attacks or other incidents. Information technology systems, however, did not fully support information sharing between DHS and state and local fusion centers. Fusion center personnel made limited use of information sharing systems and instead relied on email for situational awareness and intelligence sharing. We made 10 recommendations to improve information sharing and system capabilities. The Office of Intelligence and Analysis and the Office of Coordination and Planning concurred with all 10 recommendations. (OIG-11-04, October 2010, IT-A)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-04_Oct10.pdf

DHS Has Made Improvements on the Security Program for Its Intelligence Systems

Pursuant to *Federal Information Security Management Act* of 2002, we reviewed DHS' enterprise-wide security program and practices for its Top Secret/Sensitive Compartmented Information intelligence systems. In doing so, we assessed the department's Plan of Action and Milestones, certification and accreditation, and incident reporting processes, as well as its security training and awareness program.

The department continues to maintain an effective enterprise-wide information security management program for its intelligence systems. Overall, information security procedures have been documented and adequate security controls have been implemented. Nonetheless, management oversight and operational issues remain regarding the effectiveness of the program. We have concerns with the documentation for the Coast Guard Intelligence Support System certification and accreditation package and the information system security training and awareness program for intelligence personnel. Also, we identified security issues with the Classified Local Area Network and the Coast Guard Intelligence Support System. We recommended that the Under Secretary for Intelligence and Analysis address the open recommendations identified during our review. The department concurred with all four recommendations.

(OIG-11-24, January 2011, IT-A)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-24_Jan11.pdf

DHS Department-wide Management of Detection Equipment

We reviewed the department's management of approximately \$3.2 billion of detection equipment used to accomplish its various missions when screening passengers, baggage, and cargo. The objective of the review was to determine whether the department identifies and acquires detection equipment in an efficient and effective manner

to support component mission needs. The department can improve management of its detection equipment by using strategic sourcing principles that it has applied to the acquisition of other commodities such as law enforcement officer firearms and ammunition. Strategic sourcing would require that management standardize purchases for detection equipment; identify common mission requirements among components; and develop standard data elements for managing the inventory accounts of detection equipment. We recommended that the department reestablish the Joint Requirements Council and establish a commodity council for detection equipment.

(OIG-11-47, March 2011, OA)

http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_11-47_Mar11.pdf

INVESTIGATIONS

Superior Protection Inc., Corporate Executives Guilty in Bribery of FPS

DHS OIG has been conducting a multiyear investigation involving Superior Protection Inc. (SPI), a company that provided armed guard security services at several U.S. government facilities. As part of the investigation, on October 8, 2010, an operations manager at SPI pleaded guilty to Bribery of a Public Official. On November 11, 2010, a federal jury in the Southern District of Texas convicted the owner of SPI, his wife, and a second operations manager of SPI on 16 counts related to Bribery, Conspiracy, Tax Evasion, and Bankruptcy Fraud.

The DHS OIG investigation determined that the above individuals bribed a Federal Protective Service (FPS) Contracting Officer with airline tickets, hotel stays, golf expenditures, and the promise of post-government employment in exchange for favorable references that resulted in the continuance of a multimillion-dollar contract to provide armed security guards at U.S. government buildings. The Contracting Officer pleaded guilty to bribery charges in 2007.

FPS Program Analyst Pleaded Guilty to Marriage Fraud

(Update 04/01/10–09/30/10 SAR)

We conducted an investigation in Maryland after we received an allegation that a Management and Program Analyst employed by the FPS was involved in a fraudulent marriage in order to obtain immigration benefits on behalf of an unauthorized person. Our investigation, including review of USCIS records and personal interviews of the offender, revealed that she illegally petitioned to seek immigration benefits for a foreign national who was not entitled to immigration benefits. We arrested the DHS employee in September 2010. She was sentenced to 12 months of probation and 4 months of home detention for a one-count violation of False Statement in Matters Relating to Registry of Aliens.

FPS Contract Employee and Conspirators Plead Guilty to Smuggling Narcotics

Our joint investigation with the Prince George's County (Maryland) Police Department (PGPD) led to the arrest of an FPS contract employee, and the subsequent arrests of two accomplices, as they attempted to distribute more than 37 pounds of marijuana. A second Maryland state arrest warrant for the contractor was issued and executed by the PGPD Narcotics Enforcement Division in connection with illegal narcotics previously found in his possession in January 2010. The contractor was arrested at the residence of an employee of the FPS (Maryland) Regional Director's Office. The contractor pleaded guilty in state court to possession of marijuana, and eventually appeared in the Prince George's County (Maryland) Circuit Court, where he was sentenced to 36 months confinement, with all but 6 months suspended.

OTHER OFFICE OF INSPECTOR GENERAL ACTIVITIES



OVERSIGHT OF NONDEPARTMENTAL AUDITS

During this period, we did not process any single audit reports issued by other independent public accountant organizations. Single audit reports refer to audits conducted according to the *Single Audit Act of 1996*, as amended by P.L. 104-136.

SUMMARY OF SIGNIFICANT REPORTS UNRESOLVED OVER 6 MONTHS

Timely resolution of outstanding audit recommendations continues to be a priority for both our office and the department. As of this report date, we are responsible for monitoring 164 reports containing 534 recommendations that have been unresolved for more than 6 months. Management decisions have not been made for significant reports, as follows:

94	FEMA-related financial assistance disaster audits
70	Program management reports
164	Total

LEGISLATIVE AND REGULATORY REVIEWS



Section 4(a) of the *Inspector General Act* requires the Inspector General to review existing and proposed legislation and regulations relating to DHS programs and operations and to make recommendations about their potential impact. Our comments and recommendations focus on the effect of the proposed legislation and regulations on economy and efficiency in administering DHS programs and operations or on the prevention and detection of fraud, waste, and abuse in DHS programs and operations. We also participate on the Council of the Inspectors General on Integrity and Efficiency (CIGIE), which provides a mechanism to comment on existing and proposed legislation and regulations that have government-wide impact.

During this reporting period, we reviewed more than 160 legislative and regulatory proposals, draft DHS policy directives, and other items. One item is highlighted below.

H.R. 2701, The Intelligence Authorization Act for FY 2010 (Enacted as Public Law No. 111-259)

We notified the department that H.R. 2701, as written, would establish a new audit requirement (mandate) for our office. The bill required DHS OIG to submit a report on cybersecurity jointly with the Inspector General of the Intelligence Community within 1 year of enactment. Specifically, it stated:

Not later than 1 year after the date of the enactment of this Act, the Inspector General of the Department of Homeland Security and the Inspector General of the Intelligence Community shall jointly submit to Congress and the President a report on the status of the sharing of cyber threat information, including—

- (1) a description of how cyber threat intelligence information, including classified information, is shared among the agencies and departments of the United States and with persons responsible for critical infrastructure;
- (2) a description of the mechanisms by which classified cyber threat information is distributed;
- (3) an assessment of the effectiveness of such information sharing and distribution; and
- (4) any other matters identified by the Inspectors General that would help to fully inform Congress or the President regarding the effectiveness and legality of cybersecurity programs.

We offered no recommendations to the department about whether it should endorse the bill. Subsequent to our comments, the bill was enacted into law on October 7, 2010.

CONGRESSIONAL HEARINGS AND BRIEFINGS



The Inspector General and senior executives testified before congressional committees twice during this period. Testimony prepared for these hearings may be accessed on our website at www.dhs.gov/xoig.

We testified on the following issues:

- March 17, 2011 – Senate Committee on Homeland Security & Governmental Affairs' Subcommittee on Disaster Recovery and Intergovernmental Affairs on challenges facing FEMA's recoupment process and the progress made to address these challenges.
- March 31, 2011 – House Committee on Oversight & Government Reform on DHS FOIA practices.

We briefed congressional members and their staffs at a steady pace throughout the reporting period. Our office conducted more than 50 briefings for congressional staff on the results of our work, including (1) Evaluation of Screening of Air Cargo Transported on Passenger Aircraft, OIG-10-119; (2) FEMA's Implementation of Recommendations from Top Officials 4, OIG-10-121; (3) Transporta-

tion Security Administration's Known Shipper Program, OIG-09-35; (4) The State of New York's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 through 2008, OIG-11-30; (5) DHS Financial Assistance to the Association of Community Organization for Reform Now (ACORN) and its Affiliates, OIG-11-10; and (6) Management Advisory Report: Recoupment of Improper Disaster Assistance Payments, OIG-11-21. We also attended meetings to discuss other congressional concerns, including our work on the implementation of the Western Hemisphere Travel Initiative, a briefing regarding Financial Systems Consolidation and IT Insider Threat, and our reporting requirement under the *Intelligence Authorization Act of FY 2010* (PL 111-259).

We will continue to meet with congressional members and staff to discuss our Annual Performance Plan for the remainder of FY 2011. The Annual Performance Plan is our "roadmap" for the inspections and audits that we plan to conduct each year to evaluate department programs and operations.



Appendix 1

Audit Reports With Questioned Costs

Report Category	Number	Questioned Costs	Unsupported Costs
A. Reports pending management decision at the start of the reporting period	165	\$273,143,656	\$52,795,551
Plus prior period adjustments (a)	0	\$812,549	\$0
B. Reports issued/processed during the reporting period with questioned costs	25	\$107,558,867	\$21,929,543
Total Reports (A+B)	190	\$381,515,072	\$74,725,094
C. Reports for which a management decision was made during the reporting period (b)	28	\$27,534,220	\$1,626,091
(1) Disallowed costs	21	\$25,129,871	\$1,334,684
(2) Accepted costs	10	\$2,404,349	\$291,407
D. Reports put into appeal status during period	0	\$0	\$0
E. Reports pending a management decision at the end of the reporting period	162	\$353,980,852	\$73,099,003
F. Reports for which no management decision was made within 6 months of issuance	137	\$246,421,985	\$51,169,460

Notes and Explanations:

(a) Adjustments were made to account for disaster assistance audit reports not previously reported.

(b) Report totals in Section C may not always equal the total in lines C (1) and C (2) because some reports contain both allowed and disallowed costs. In addition, resolution may result in values different from the original recommendations.

Management Decision – Occurs when DHS management informs us of its agreement or disagreement with the findings and recommendations, states intended corrective actions in response to a recommendation, and provides target implementation dates, when necessary.

Accepted Costs – Previously questioned costs accepted in a management decision as allowable costs to a government program. Before

acceptance, we must agree with the basis for the management decision.

Questioned Costs – Auditors questioning costs resulting from alleged violations of provisions of laws, regulations, grants, cooperative agreements, or contracts. A “questioned” cost is a finding which, at the time of the audit, is not supported by adequate documentation or is unreasonable or unallowable. A funding agency is responsible for making management decisions on questioned costs, including an evaluation of the findings and recommendations in an audit report. A management decision against the auditee would transform a questioned cost into a disallowed cost.

Unsupported Costs – Costs not supported by adequate documentation.

Appendix 1b

Audit Reports With Funds Put to Better Use

Report Category	Number	Amount
A. Reports pending management decision at the start of the reporting period	30	\$73,089,254
B. Reports issued during the reporting period	13	\$17,434,529
Total Reports (A+B)	43	\$90,523,783
C. Reports for which a management decision was made during the reporting period (a)	5	\$19,346,962
(1) Value of recommendations agreed to by management for deobligation	6	\$18,286,947
(2) Value of recommendations not agreed to by management	1	\$1,060,015
D. Reports put into the appeal status during the reporting period	0	\$0
E. Reports pending a management decision at the end of the reporting period	38	\$71,176,821
F. Reports for which no management decision was made within 6 months of issuance	25	\$53,742,292

Notes and Explanations:

(a) Report totals in Section C may not always equal the total in lines C (1) and C (2) because some reports contain multiple recommendations.

Funds Put to Better Use – Auditors can identify ways to improve the efficiency, effectiveness, and

economy of programs, resulting in cost savings over the life of the program. Unlike questioned costs, the auditor recommends methods for making the most efficient use of federal dollars, such as reducing outlays, deobligating funds, or avoiding unnecessary expenditures.

Appendix 2

Compliance – Resolution of Reports and Recommendations

MANAGEMENT DECISION IS PENDING	
9/30/10	
Reports open and unresolved more than 6 months	159
Recommendations open and unresolved more than 6 months	479
3/31/11	
Reports open and unresolved more than 6 months	164
Recommendations open and unresolved more than 6 months	534
CURRENT INVENTORY	
Open reports at the beginning of the period ¹	346
Reports issued this period	97
Reports closed this period	80
Open reports at the end of the period	363
ACTIVE RECOMMENDATIONS	
Open recommendations at the beginning of the period ²	1,620
Recommendations issued this period	488
Recommendations closed this period	417
Open recommendations at the end of the period	1,691

¹ Adjustments were made to the beginning balance of open reports.

² Adjustments were made to the beginning balance for open recommendations.

Appendix 3

Management Reports Issued

Report Number	Date Issued	Report Title	Questioned Costs	Unsupported Costs	Funds Put to Better Use
1. OIG-11-01	10/10	Evaluation of DHS' Information Security Program for Fiscal Year 2010	\$0	\$0	\$0
2. OIG-11-02	10/10	Improvements Needed in FEMA's Management of Public Assistance-Technical Assistance Contacts	\$0	\$0	\$0
3. OIG-11-03	10/10	American Samoa 2009 Earthquake and Tsunami: After-Action Report	\$0	\$0	\$0
4. OIG-11-04	10/10	Information Sharing With Fusion Centers Has Improved, but Information System Challenges Remain	\$0	\$0	\$0
5. OIG-11-05	10/10	Transportation Security Administration's Management of Its Screening Workforce Training Program Can Be Improved	\$0	\$0	\$0
6. OIG-11-06	11/10	U.S. Customs and Border Protection's Acquisition of 25 Acres of Land in Lordsburg, New Mexico	\$0	\$0	\$0
7. OIG-11-07	11/10	Use of American Recovery and Reinvestment Act Funds by the Transportation Security Administration for the Electronic Baggage Screening Program	\$0	\$0	\$0
8. OIG-11-08	11/10	Assessment of Federal Emergency Management Agency's Emergency Support Function Roles and Responsibilities	\$0	\$0	\$0
9. OIG-11-09	11/10	Independent Auditors' Report on DHS' FY 2010 Financial Statements and Internal Control over Financial Reporting	\$0	\$0	\$0
10. OIG-11-10	11/10	DHS Financial Assistance to the Association of Community Organizations for Reform Now (ACORN) and Its Affiliates	\$271,843	\$160,797	\$0

Appendix 3

Management Reports Issued (continued)

Report Number	Date Issued	Report Title	Questioned Costs	Unsupported Costs	Funds Put to Better Use
11. OIG-11-11	11/10	Major Management Challenges Facing the Department of Homeland Security	\$0	\$0	\$0
12. OIG-11-12	11/10	Protective Security Advisor Program Efforts to Build Effective Critical Infrastructure Partnerships: Oil and Natural Gas Subsector	\$0	\$0	\$0
13. OIG-11-13	11/10	Review of the National Bio and Agro-Defense Facility Site Selection Process	\$0	\$0	\$0
14. OIG-11-14	11/10	Processing of Nonimmigrant Worker Petitions in Support of U.S. Marine Guam Realignment Construction Activities	\$0	\$0	\$0
15. OIG-11-15	11/10	Review of the Quality of Data Submitted by Department of Homeland Security Recipients of <i>American Recovery and Reinvestment Act of 2009</i> Funds	\$0	\$0	\$0
16. OIG-11-16	11/10	Customs and Border Protection's Implementation of the Western Hemisphere Travel Initiative at Land Ports of Entry	\$0	\$0	\$0
17. OIG-11-17	12/10	United States Coast Guard's Reported Anti-Deficiency Violations for Shore Construction and Improvement Projects for Fiscal Years 2003 through 2009	\$0	\$0	\$0
18. OIG-11-18	12/10	Use of <i>American Recovery and Reinvestment Act</i> Funds by the Federal Emergency Management Agency for the Transit Security Grant Program	\$0	\$0	\$0
19. OIG-11-19	12/10	Ability to Communicate With Federal Air Marshals While in Mission Status (Unclassified Summary)	\$0	\$0	\$0
20. OIG-11-20	12/10	Annual Report to Congress on States' and Urban Areas' Management of Homeland Security Grant Programs, Fiscal Year 2010	\$0	\$0	\$0

Appendix 3

Management Reports Issued (continued)

Report Number	Date Issued	Report Title	Questioned Costs	Unsupported Costs	Funds Put to Better Use
21. OIG-11-21	12/10	Management Advisory Report: Recoupment of Improper Disaster Assistance Payments	\$0	\$0	\$0
22. OIG-11-22	12/10	Revisions to the Marine Safety Performance Plan and Annual Update Supplement Will Facilitate Improved Management	\$0	\$0	\$0
23. OIG-11-23	1/11	Management Advisory Report: FEMA's Disaster Assistance Employee Payroll and Deployment Data	\$0	\$0	\$0
24. OIG-11-24	1/11	DHS Has Made Improvements on the Security Program for Its Intelligence Systems (Unclassified Summary)	\$0	\$0	\$0
25. OIG-11-25	3/11	Improvements Needed in the Process to Certify Carriers for the Free and Secure Trade Program	\$0	\$0	\$0
26. OIG-11-26	1/11	U.S. Immigration and Customs Enforcement Identification of Criminal Aliens in Federal and State Custody Eligible for Removal from the United States	\$0	\$0	\$0
27. OIG-11-27	1/11	U.S. Customs and Border Protection's Ground Transportation of Detainees	\$0	\$0	\$0
28. OIG-11-28	1/11	U.S. Customs and Border Protection's Oversight of the Permit to Transfer Process for Cargo Containers	\$0	\$0	\$0
29. OIG-11-29	1/11	The State of Tennessee's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 through 2008	\$0	\$0	\$0

Appendix 3

Management Reports Issued (continued)

Report Number	Date Issued	Report Title	Questioned Costs	Unsupported Costs	Funds Put to Better Use
30. OIG-11-30	1/11	The State of New York's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 through 2008	\$4,243,437	\$143,437	\$0
31. OIG-11-31	1/11	The Coast Guard's Polar Icebreaker Maintenance, Upgrade, and Acquisition Program	\$0	\$0	\$0
32. OIG-11-32	1/11	FEMA's Progress in Implementing the Remedial Action in Management Program	\$0	\$0	\$0
33. OIG-11-33	1/11	Examining Insider Threat Risk at the U.S. Citizenship and Immigration Services (Redacted)	\$0	\$0	\$0
34. OIG-11-34	1/11	Independent Review of the U.S. Coast Guard's Reporting of FY 2010 Drug Control Obligations	\$0	\$0	\$0
35. OIG-11-35	1/11	Independent Review of the U.S. Coast Guard's Reporting of FY 2010 Drug Control Performance Summary Report	\$0	\$0	\$0
36. OIG-11-36	1/11	Independent Review of the U.S. Customs and Border Protection's Reporting of FY 2010 Drug Control Performance Summary Report	\$0	\$0	\$0
37. OIG-11-37	1/11	Independent Review of the U.S. Customs and Border Protection's Reporting of FY 2010 Drug Control Obligations	\$0	\$0	\$0
38. OIG-11-38	1/11	Independent Review of the U.S. Immigration and Customs Enforcement's Reporting of FY 2010 Drug Control Obligations	\$0	\$0	\$0

Appendix 3

Management Reports Issued (continued)

Report Number	Date Issued	Report Title	Questioned Costs	Unsupported Costs	Funds Put to Better Use
39 OIG-11-39	1/11	Independent Review of the U.S. Immigration and Customs Enforcement's Reporting of FY 2010 Drug Control Performance Summary Report	\$0	\$0	\$0
40. OIG-11-40	2/11	FEMA's Oversight and Management of Debris Removal Operations	\$0	\$0	\$0
41. OIG-11-41	2/11	DHS Contracts Awarded Through Other Than Full and Open Competition During Fiscal Year 2010	\$0	\$0	\$0
42. OIG-11-42	2/11	Planning and Funding Issues Hindered CBP's Implementation of the System Availability Project (Redacted)	\$0	\$0	\$0
43. OIG-11-43	2/11	Customs and Border Protection Needs to Improve Its Inspection Procedures for the Western Hemisphere Travel Initiative (Redacted)	\$0	\$0	\$0
44. OIG-11-44	2/11	The State of Texas' Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 Through 2008	\$0	\$0	\$0
45. OIG-11-45	2/11	Management Letter for the FY 2010 DHS Financial Statements and Internal Control Over Financial Reporting Audit	\$0	\$0	\$0
46. OIG-11-46	2/11	The State of California's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 Through 2008	\$0	\$0	\$0
47. OIG 11-47	3/11	DHS Department-wide Management of Detection Equipment (Redacted)	\$0	\$0	\$0

Appendix 3

Management Reports Issued (continued)

Report Number	Date Issued	Report Title	Questioned Costs	Unsupported Costs	Funds Put to Better Use
48. OIG-11-48	3/11	National Protection and Programs Directorate's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit	\$0	\$0	\$0
49. OIG-11-49	3/11	Opportunities to Improve FEMA's Public Assistance Appeals Process	\$0	\$0	\$0
50. OIG-11-50	3/11	Science and Technology Directorate's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit	\$0	\$0	\$0
51. OIG-11-51	3/11	Management Directorate's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit	\$0	\$0	\$0
52. OIG-11-52	3/11	Actions Taken by the Federal Emergency Management Agency in Response to an Allegation Concerning the Application for a Station Construction Grant Submitted by the University City, Missouri, Fire Department	\$0	\$0	\$0
53. OIG-11-53	3/11	Office of Financial Management's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit	\$0	\$0	\$0
54. OIG-11-54	3/11	United States Secret Service's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit	\$0	\$0	\$0
55. OIG-11-55	3/11	Federal Law Enforcement Training Center's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit	\$0	\$0	\$0
56. OIG-11-56	3/11	U.S. Secret Service's Information Technology Modernization Effort	\$0	\$0	\$0

Appendix 3

Management Reports Issued (continued)

Report Number	Date Issued	Report Title	Questioned Costs	Unsupported Costs	Funds Put to Better Use
57. OIG-11-57	3/11	CBP's Efficacy of Controls Over Drug Seizures	\$0	\$0	\$0
58. OIG-11-58	3/11	Transportation Security Administration's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit	\$0	\$0	\$0
59. OIG-11-59	3/11	U.S. Coast Guard's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit	\$0	\$0	\$0
60. OIG-11-60	3/11	Ohio Law Enforcement Terrorism Prevention Program Subgrants, Fiscal Years 2004–2006	\$4,844,154	\$635,008	\$0
61. OIG-11-61	3/11	Independent Auditors' Report on U.S. Customs and Border Protection's FY 2010 Financial Statements	\$0	\$0	\$0
62. OIG-11-62	3/11	Management of Mental Health Cases in Immigration Detention	\$0	\$0	\$0
63. OIG-11-63	3/11	U.S. Citizenship and Immigration Services' Management Letter for FY 2010 DHS Consolidated Financial Statements Audit	\$0	\$0	\$0
64. OIG-11-64	3/11	U.S. Immigration and Customs Enforcement's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit	\$0	\$0	\$0
65. OIG-11-65	3/11	Management Letter for U.S. Customs and Border Protection's FY 2010 Consolidated Financial Statements	\$0	\$0	\$0

Appendix 3

Management Reports Issued (continued)

Report Number	Date Issued	Report Title	Questioned Costs	Unsupported Costs	Funds Put to Better Use
66. OIG-11-66	3/11	National Flood Insurance Program's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit	\$0	\$0	\$0
67. OIG-11-67	3/11	The DHS Privacy Office Implementation of the Freedom of Information Act	\$0	\$0	\$0
		Total, Appendix 3	\$9,359,434	\$939,242	\$0

Notes and Explanations:

Report Number Acronyms:

OIG – Management report

Appendix 4

Financial Assistance Audit Reports Issued

Report Number	Date Issued	Report Title	Questioned Costs	Unsupported Costs	Funds Put to Better Use
1. DA-11-01	10/10	City of West Palm Beach, Florida	\$2,143,781	\$59,225	\$0
2. DA-11-02	10/10	Miami-Dade County Public Schools	\$1,662,178	\$1,580,848	\$2,738,848
3. DA-11-03	10/10	Broward County School Board District	\$14,990,114	\$14,672,709	\$0
4. DA-11-04	12/10	Biloxi Public School District, Mississippi	\$0	\$0	\$0
5. DA-11-05	12/10	New York City Department of Environmental Protection	\$0	\$0	\$6,030,913
6. DA-11-06	1/11	Harrison County, Mississippi, Hazard Mitigation Grant Program	\$0	\$0	\$347,900
7. DA-11-07	1/11	Puerto Rico Department of Transportation and Public Works	\$1,806,253	\$0	\$366,331
8. DA-11-08	2/11	Broward Sheriff's Office – Disaster Activities Related to Hurricane Wilma	\$3,988,621	\$0	\$0
9. DA-11-09	2/11	Broward Sheriff's Office – Disaster Activities Related to Hurricanes Frances and Katrina	\$19,670	\$0	\$0
10. DA-11-10	3/11	Beauvoir – Jefferson Davis Home and Presidential Library	\$0	\$0	\$1,052,166
11. DA-11-11	3/11	Emerald Coast Utilities Authority	\$0	\$0	\$0
12. DD-11-01	10/10	University of Texas, MD Anderson Cancer Center	\$447,502	\$382,868	\$0
13. DD-11-02	12/10	Lafon Nursing Facility of the Holy Family	\$10,750,000	\$0	\$0

Appendix 4

Financial Assistance Audit Reports Issued (continued)

Report Number	Date Issued	Report Title	Questioned Costs	Unsupported Costs	Funds Put to Better Use
14. DD-11-03	12/10	Town of Franklinton, Louisiana	\$73,100	\$0	\$655,189
15. DD-11-04	12/10	Town of Abita Springs, Louisiana	\$3,560,541	\$0	\$429,503
16. DD-11-05	12/10	Chambers County, Texas	\$44,569,839	\$73,760	\$0
17. DD-11-06	1/11	City of Springfield, Missouri	\$0	\$0	\$0
18. DD-11-07	1/11	Chennault International Airport Authority, Lake Charles, Louisiana	\$416,021	\$231,819	\$3,022
19. DD-11-08	2/11	City of Slidell, Louisiana	\$470,819	\$6,801	\$3,124,006
20. DD-11-09	2/11	Tangipahoa Parish, Louisiana	\$49,242	\$25,096	\$41,897
21. DD-11-10	3/11	City of Port Arthur, Texas	\$262,967	\$161,980	\$0
22. DD-11-11	3/11	Roman Catholic Church of the Archdiocese of New Orleans Funding of Permanent Work	\$362,864	\$0	\$0
23. DS-11-01	12/10	Capping Report: FY 2009 Public Assistance Grant and Subgrant Audits	\$0	\$0	\$0
24. DS-11-02	12/10	City of Malibu, California	\$9,661	\$0	\$0
25. DS-11-03	12/10	County of Ventura, California	\$15,798	\$15,798	\$1,164,213
26. DS-11-04	1/11	County of Santa Barbara, California	\$1,471,248	\$89,357	\$0
27. DS-11-05	1/11	Idaho Bureau of Homeland Security, Homedale Highway District, and Owyhee County, Idaho	\$0	\$0	\$0

Appendix 4

Financial Assistance Audit Reports Issued (continued)

Report Number	Date Issued	Report Title	Questioned Costs	Unsupported Costs	Funds Put to Better Use
28. DS-11-06	3/11	California Department of Forestry and Fire Protection	\$9,507,096	\$3,639,592	\$0
29. DS-11-07	3/11	County of Sonoma, California	\$1,562,164	\$50,448	\$603,747
30. DS-11-08	3/31	Lake County, California	\$59,954	\$0	\$876,794
Total, Appendix 4			\$98,199,433	\$20,990,301	\$17,434,529

Report Number Acronyms:

DA Financial Assistance Disaster Audit, Atlanta Office
 DD Financial Assistance Disaster Audit, Dallas Office
 DS Financial Assistance Disaster Audit, Oakland Office

Appendix 5

Schedule of Amounts Due and Recovered

Report Number	Date Issued	Auditee	Amount Due	Recovered Costs
1. DO-15-03	6/03	City of Milpitas, California	\$1,205	\$1,205
2. DD-03-05	2/05	Grant Management: Louisiana's Compliance With Disaster Assistance Program's Requirements	\$0	\$20,425
3. DD-09-06	7/06	City of Kansas City, Missouri	\$5,518,753	\$3,664,387
4. DA-08-06	6/08	Review of Coast Electrical Power Association	\$1,250,705	\$1,250,705
5. DA-08-08	7/08	Audit of Hurricane Katrina Activities for City of Waveland, Mississippi	\$128,637	\$128,637
6. DA-09-08	1/09	Hurricane Katrina Activities for the Catholic Diocese of Biloxi, Mississippi	\$33,600	\$33,600
7. DD-09-08	5/09	Jefferson Davis & Beauregard Electric Cooperatives	\$7,353,320	\$7,353,320
8. DD-09-16	9/09	Licking Rural Electrification, Inc., Utica, Ohio	\$941,263	\$58,577
9. OIG-08-32	3/08	Federal and State Oversight of the New York Urban Area Security Initiative Grant Program	\$1,150,000	\$1,150,000
10. INV	10/10 through 3/11	Recoveries as a result of investigations	\$1,642,047	\$1,642,047
		Total, Appendix 5	\$18,019,530	\$15,302,903

Report Number Acronyms:

DA	Financial Assistance Disaster Audit, Atlanta Office
DD	Financial Assistance Disaster Audit, Dallas Office
DO	Financial Assistance Disaster Audit, Oakland Office
INV	Recoveries, other than administrative cost savings, which resulted from investigative efforts
OIG	Management report

Appendix 6³

Contract Audit Reports

Report Category	Questioned Costs	Unsupported Costs	Disallowed Costs
We processed no contract audit reports meeting the criteria of the <i>National Defense Authorization Act for FY 2008</i> during the reporting period October 1, 2010–March 31, 2011	N/A	N/A	N/A

³ The *National Defense Authorization Act for FY 2008* requires that we list all contract audit reports issued during the reporting period containing significant audit findings; briefly describe the significant audit findings in the report; and specify the amounts of costs identified in the report as unsupported, questioned, or disallowed. This act defines significant audit findings as unsupported, questioned, or disallowed costs in excess of \$10,000,000, or other findings that the Inspector General determines to be significant. It defines contracts as a contract, an order placed under a task or delivery order contract, or a subcontract.

Appendix 7

OIG Peer Review Results

Section 989C of the *Dodd-Frank Wall Street Reform and Consumer Protection Act*, P.L. 111-203 (2010), contains additional semiannual reporting requirements pertaining to peer review reports of our operations. Federal Inspectors General are required to engage in peer review processes related to both their audit and investigative operations. In keeping with section 989C, our office is reporting the following information related to peer reviews of our operations conducted by other Inspectors General. We are also including information about a peer review we conducted of the activities of another Office of Inspector General.

For audits, peer reviews of audit organization's system of quality controls are conducted on a 3-year cycle. These reviews are conducted according to the *CIGIE Guide for Conducting External Peer Reviews of the Audit Organization of Federal Offices of Inspector General*, and are based on requirements established by the Government Accountability Office in its *Government Auditing Standards* (Yellow Book). Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail.

For investigations, quality assessment peer reviews of investigative operations are conducted on a 3-year cycle as well. Such reviews result in a determination that an organization is "in compliance" or "not in compliance" with relevant standards. These standards are based on Quality Standards for Investigations and applicable Attorney General guidelines. The Attorney General guidelines include the *Attorney General Guidelines for Offices of Inspectors General with Statutory Law Enforcement Authority* (2003), *Attorney General Guidelines for Domestic Federal Bureau of Investigation Operations* (2008), and *Attorney General Guidelines Regarding the Use of Confidential Informants* (2002).

Peer Reviews Conducted on DHS OIG Audit Operations

DHS OIG audit offices received a peer review rating of "pass" resulting from a peer review conducted by the Department of Labor OIG for the fiscal year ending September 2008. Two recommendations from that review remain open:

1. DHS OIG revise its Audit Manual to include the requirements of Generally Accepted Government Auditing Standards (GAGAS) paragraphs 7.57 and 7.59.

Overall Status: Resolved. DHS OIG's 2008 Audit Manual Addendum includes implementing policy and guidance related to GAGAS 7.57 and 7.59. We agreed to enhance our guidance in our next audit manual. As a result of our need to concentrate resources on priority audit projects, we have not issued our new manual. We plan to issue the new manual in the fourth quarter of FY 2011.

2. DHS OIG emphasize to audit staff the requirement to document the consideration for fraud, starting in the audit planning phase. As an additional control, the Supervisory Review Checklist should be expanded to include that requirement.

Overall Status: Resolved. Auditors have been notified to better document fraud consideration through training classes and daily supervisory guidance. As an additional control, the Supervisory Review Checklist will be expanded to include the requirement to document consideration of fraud, starting in the audit planning phase when we issue our new manual in the fourth quarter of FY 2011.

Peer Review Conducted on DHS OIG Investigative Operations

DHS OIG Office of Investigations received a peer review conducted by the Social Security Administration OIG for the fiscal year ending September 2009. We received a peer review rating of "in compliance." No recommendations were issued.

Peer Review Conducted by DHS OIG on Other OIG Audit Operations

DHS OIG conducted a peer review on the Department of Environmental Protection (EPA) OIG Office of Audits for the fiscal year ending September 2008. EPA OIG Office of Audits received a peer review rating of "pass." No recommendations were issued.

Peer Review Conducted by DHS OIG on Other OIG Investigative Operations⁴

DHS OIG Office of Investigations conducted a peer review on the U.S. Department of Agriculture (USDA) OIG for the fiscal year ending 2010. The USDA OIG received a peer review rating of "in compliance." No recommendations were issued.

⁴ DHS OIG Office of Investigations issued its peer review report on USDA OIG's investigative operations on September 27, 2010, which was during the previous semiannual reporting period. However, the results were not included in our previous semiannual report.

Appendix 8

Acronyms

ACORN	Association of Community Organizations for Reform Now
AO	Adjudication Officer
BP	Border Patrol
BPA	Border Patrol Agent
C-TPAT	Custom-Trade Partnership Against Terrorism's
Cal EMA	California Emergency Management Agency
CAP	Criminal Alien Program
CBP	United States Customs and Border Protection
CBPO	Customs and Border Protection Officer
CIAA	Chennault International Airport Authority
CIGIE	Council of Inspectors General on Integrity and Efficiency
CIKR	critical infrastructure and key resources
CSEPP	Chemical Stockpile Emergency Preparedness Program
DCA	Department of Community Affairs
DHS	Department of Homeland Security
DOJ	U.S. Department of Justice
DRO	Detention and Removal Operations
ECUA	Emerald Coast Utilities Authority
EMO	Office of Emergency Management Oversight
ENFORCE	Enforcement Case Tracking System
EPA	United States Environmental Protection Agency
ESF	Emergency Support Function
FAM	Federal Air Marshals
FAST	Free and Secure Trade
FBI	Federal Bureau of Investigation
FDEM	Florida Division of Emergency Management
FEMA	Federal Emergency Management Agency
FMFIA	<i>Federal Managers' Financial Integrity Act of 1982</i>
FOIA	<i>Freedom of Information Act</i>
FPS	Federal Protective Service
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
GOHSEP	Governor's Office of Homeland Security and Emergency Preparedness
HMGP	Hazard Mitigation Grant Program
HUD	Housing and Urban Development
ICE	United States Immigration and Customs Enforcement
IDBHS	Idaho Military Department's Bureau of Homeland Security
IEA	Immigration Enforcement Agent

Appendix 8

Acronyms (continued)

IHSC	ICE Health Service Corp
ISP	Office of Inspections
IT-A	Office of Information Technology-Audits
MEMA	Mississippi Emergency Management Agency
OA	Office of Audits
OIG	Office of Inspector General
OMB	Office of Management and Budget
ONDCP	Office of National Drug Control Policy Circular
PA	Public Assistance
PA-TAC	Public Assistance-Technical Assistance Contracts
PGPD	Prince George's County (Maryland) Police Department
POE	Port of Entry
PSA	Protective Security Advisor
PTT	permit to transfer
RSED	reduced size explosive detection systems
S&T	Science and Technology
SALA	Southern Arizona Legal Aid
SBA	Small Business Administration
SEI	Software Engineering Institute
SEMO	State Emergency Management Office
SPI	Superior Protection Inc
TSA	Transportation Security Administration
TSO	Transportation Security Officer
USCG	United States Coast Guard
USCIS	United States Citizenship and Immigration Services
USDA	U.S. Department of Agriculture
USSS	United States Secret Service
WHTI	Western Hemisphere Travel Initiative

Appendix 9

OIG Headquarters/Field Office Contacts and Locations

Department of Homeland Security

Attn: Office of Inspector General
245 Murray Drive, SW, Bldg 410
Washington, DC 20528

Telephone Number (202) 254-4100
Fax Number (202) 254-4285
Website Address <http://www.dhs.gov/xoig/>

OIG Headquarters Senior Management Team

Charles K. Edwards	Acting Inspector General
Yvonne Manino	Acting Chief of Staff
Richard N. Reback	Counsel to the Inspector General
Matthew Jadacki	Assistant Inspector General/Emergency Management Oversight
Anne L. Richards	Assistant Inspector General/Audits
Thomas M. Frost	Assistant Inspector General/Investigations
Carlton I. Mann	Assistant Inspector General/Inspections
Frank Deffer	Assistant Inspector General/Information Technology Audits
Louise McGlathery	Acting Assistant Inspector General/Management
Marta Metelko	Director, Office of Legislative Affairs
René Rocque Lee	Acting Director, Office of Governmental and Public Affairs

Appendix 9

OIG Headquarters/Field Office Contacts and Locations (continued)

Locations of Audit Field Offices

Boston, MA

Boston, MA 02222
(617) 565-8700 / Fax (617) 565-8996

Houston, TX

Houston, TX 77027
(713) 212-4350 / Fax (713) 212-4361

Chicago, IL

Chicago, IL 60603
(312) 886-6300 / Fax (312) 886-6308

Miami, FL

Miramar, FL 33027
(954) 538-7840 / Fax (954) 602-1034

Denver, CO

Denver, CO 80225
(303) 236-2878 / Fax (303) 236-2880

Philadelphia, PA

Marlton, NJ 08053
(856) 596-3810 / Fax (856) 810-3412

Location of IT Audits Field Office

Seattle, WA

Kirkland, WA 98033
(425) 250-1363

Locations of Emergency Management Oversight Office Field Offices

Atlanta, GA

Atlanta, GA 30309
(404) 832-6700 / Fax (404) 832-6645

New Orleans, LA

New Orleans, LA 70123
(504) 762-2050 / Fax (504) 762-2388

Biloxi, MS

Biloxi, MS 39531
(228) 822-0563 / Fax (228) 822-0296

Oakland, CA

Oakland, CA 94612
(510) 637-4311 / Fax (510) 637-1487

Dallas, TX

Frisco, TX 75034
(214) 436-5200 / Fax (214) 436-5201

San Juan, PR

San Juan, PR 00918
(787) 294-2530 / Fax (787) 771-3617

Appendix 9

OIG Headquarters/Field Office Contacts and Locations (continued)

Locations of Investigative Field Offices

Alpine, TX

Alpine, TX 79830
(432) 837-7332 / Fax: (432) 837-7449

Atlanta, GA

Atlanta, GA 30309
(404) 832-6730 / Fax: (404) 832-6646

Baton Rouge, LA

Baton Rouge, LA 70803
(225) 334-4900 / Fax: (225) 578-4982

Bellingham, WA

Bellingham, WA 98226
(360) 527-4400 Fax: (360) 671-0576

Biloxi, MS

Biloxi, MS 39531
(228) 385-9215 / Fax: (228) 385-9220

Boston, MA

Boston, MA 02222
(617) 565-8705 / Fax: (617) 565-8995

Buffalo, NY

Buffalo, NY 14202
(716) 551-4231 / Fax: (716) 551-4238

Chicago, IL

Chicago, IL 60603
(312) 886-2800 / Fax: (312) 886-2804

Dallas, TX

Frisco, TX 75034
(214) 436-5250 / Fax: (214) 436-5276

Del Rio, TX

Del Rio, TX 78840
(830) 775-7492 x239 / Fax: (830) 703-0265

Denver, CO

Information Pending

Detroit, MI

Detroit, MI 48126
(313) 226-2163 / Fax: (313) 226-6405

El Centro, CA

Imperial, CA 92251
(760) 335-3900 / Fax: (760) 335-3726

El Paso, TX

El Paso, TX 79925
(915) 629-1800 / Fax: (915) 594-1330

Hattiesburg, MS

Hattiesburg, MS 39402-8881
(601) 264-8220 / Fax: (601) 264-9088

Houston, TX

Houston, TX 77027
(713) 212-4300 / Fax: (713) 212-4363

Laredo, TX

Laredo, TX 78045
(956) 794-2917 / Fax: (956) 717-0395

Los Angeles, CA

El Segundo, CA 90245
(310) 665-7320 / Fax: (310) 665-7309

McAllen, TX

McAllen, TX 78501
(956) 664-8010 / Fax: (956) 618-8151

Miami, FL

Miramar, FL 33027
(954) 538-7555 / Fax: (954) 602-1033

Mobile, AL

Mobile, AL 36609
(251) 415-3278 / Fax: (251) 219-3517

New Orleans, LA

New Orleans, LA 70123
(225) 334-4900 / Fax: (225) 578-4982

New York City, NY

Jersey City, NJ 07657
(201) 356-1800 / Fax: (201) 356-4038

Orlando, FL

Orlando, FL 32809-7892
(407) 804-6399 / Fax (407) 8804-8730

Philadelphia, PA

Marlton, NJ 08053
(856) 596-3800 / Fax: (856) 810-3410

San Diego, CA

San Diego, CA 92101
(619) 235-2501 / Fax: (619) 687-3144

San Francisco, CA

Oakland, CA 94612
(510) 637-4311 / Fax: (510) 637-4327

San Juan, PR

San Juan, PR 00918
(787) 294-2500 / Fax: (787) 771-3620

Seattle, WA

Kirkland, WA 98033
(425) 250-1360 / Fax: (425) 576-0898

Sierra Vista, AZ

Sierra Vista, AZ 85635
(520) 457-3814 / Fax: (520) 742-7692

Tucson, AZ

Tucson, AZ 85701
(520) 229-6420 / Fax: (520) 742-7192

Washington, DC

Arlington, VA 22209
(703) 235-0848 / Fax: (703) 235-0854

Yuma, AZ

Information Pending

Appendix 10

Index to Reporting Requirements

The specific reporting requirements described in the *Inspector General Act of 1978*, as amended, including Section 989C of the *Dodd-Frank Wall Street and Consumer Protection Act*, are listed below with a reference to the SAR pages on which they are addressed.

Requirement:	Pages
Review of Legislation and Regulations	56
Significant Problems, Abuses, and Deficiencies	10-53
Recommendations With Significant Problems	10-53
Prior Recommendations Not Yet Implemented	55
Matters Referred to Prosecutive Authorities	Statistical Highlights
Summary of Instances Where Information Was Refused	N/A
List of Audit Reports	64-74
Summary of Significant Audits	10-53
Reports With Questioned Costs	61
Reports Recommending That Funds Be Put to Better Use	62
Summary of Reports in Which No Management Decision Was Made	61-62
Revised Management Decisions	N/A
Management Decision Disagreements	N/A
Peer Review Results	77



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Call our Hotline at 1-800-323-8603;
Fax the complaint directly to us at (202) 254-4292;
Email us at DHSOIGHOTLINE@dhs.gov; or

Write to us at:

DHS Office of Inspector General/MAIL STOP 2600,
Attention: Office of Investigations - Hotline,
245 Murray Drive, SW, Building 410,
Washington, DC 20528.

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